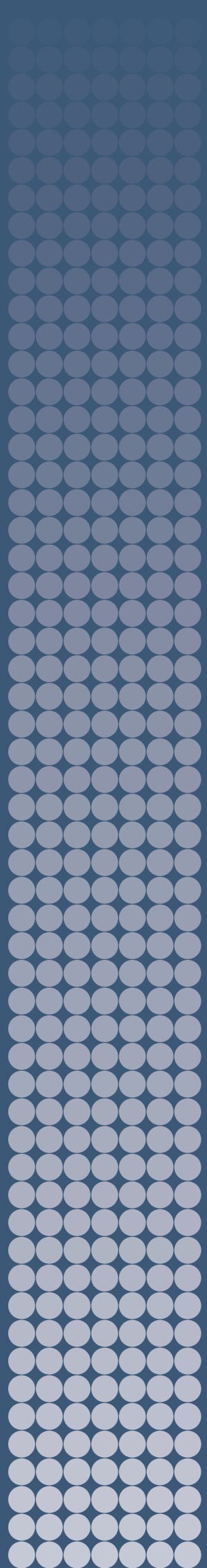


# THE 21<sup>ST</sup> CENTURY MARITIME SILK ROAD

Security implications and  
ways forward for the European Union

RICHARD GHIASY, FEI SU AND LORA SAALMAN





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**STOCKHOLM INTERNATIONAL  
PEACE RESEARCH INSTITUTE**



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**STOCKHOLM INTERNATIONAL  
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Signalistgatan 9  
SE-169 72 Solna, Sweden  
Telephone: +46 8 655 97 00  
Email: [sipri@sipri.org](mailto:sipri@sipri.org)  
Internet: [www.sipri.org](http://www.sipri.org)

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# Contents

<b>Acknowledgements</b>	v
<b>Key findings and recommendations</b>	<b>vii</b>
<b>1. The Maritime Silk Road</b>	<b>1</b>
1.1. Scope and strategic evolution	1
1.2. Exploring China's aspirations	4
<b>2. The Maritime Silk Road: Security implications</b>	<b>11</b>
2.1. Security implications for the South China Sea	11
2.2. Security Implications for the Indian Ocean Region	22
<b>3. The Maritime Silk Road: Prospects for European Union security cooperation</b>	<b>33</b>
3.1. Compatibility with European Union maritime security interests	33
3.2. Ways forward for the European Union	45
<b>Annex I. Abbreviations</b>	<b>50</b>
<b>List of figures</b>	
Figure 2.1. Map of the South China Sea illustrating Maritime Silk Road security implications	18
Figure 2.2. Map of the Indian Ocean Region illustrating Maritime Silk Road security implications and investments	28



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Rarely is a policy report solely the product of the authors’ insights, and this work is no exception. Throughout the course of this nine-month project we have been fortunate to learn from the insights of many analysts in the above-mentioned workshops and interviews. They have contributed significantly to this report and we are very grateful. In particular, we would like to highlight the generosity of this report’s peer reviewers: Aileen S.P. Baviera, Nicola Casarini, Chen Dingding, Cui Hongjian, Hoang Thi Ha, Gurpreet Khurana, Christopher Len, Garima Mohan, Dulyapak Preecharush, Bhagya Senaratne, Abhijit Singh, Justyna Szczudlik, Gudrun Wacker, Naghmana Zafar and Zhou Jiayi.

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The authors

Stockholm, June 2018





## Key findings and recommendations

This policy report presents an analysis of the security implications of the sea-based component of the Belt and Road Initiative (BRI), the 21st Century Maritime Silk Road (the Road).<sup>1</sup> It complements the February 2017 SIPRI–FES publication on the land-based component of the BRI, the Silk Road Economic Belt (the Belt).<sup>2</sup> The previous report examined security implications in two of the strategic terrestrial regions that the Belt traverses: Central Asia and South Asia. In turn, this report examines security implications in the two strategic maritime spaces that it crosses: the South China Sea (SCS) and the Indian Ocean Region (IOR). As in the previous report, special consideration is given to how Road security implications might affect the interests of the European Union (EU) and how the EU could consider responding, but the findings are also of significance and policy relevance to non-EU stakeholders of the Road. The report is divided into three chapters.

Chapter 1 analyses the scope and strategic evolution of the Road, as well as China’s economic, political and security rationales that underpin the Road. The Road’s geographic scope has been constantly expanding to new waters. Its strategic evolution has more recently been characterized by a greater focus on cooperation on common maritime security and ‘green’ development. Particularly when linked with the Belt, the Road is intended to bridge a vast connectivity gap and has no peers that approximate its scale, speed and commitment. While there will certainly be positive spin-offs in terms of development, connectivity and cooperation, there are concerns among some states about its potential security consequences. Among these concerns is that Chinese ownership of some strategic seaports may come to provide logistical facilities for its expanding blue water navy.

The Road is destined to serve a range of China’s core interests, these include the development of its more than \$1.2 trillion blue economy, improving food and energy security, diversifying and securing sea lines of communication (SLOC), upholding territorial sovereignty and enhancing its international discourse power. The Road has the potential to expand China’s maritime strategic space far beyond its enclosed adjacent waters and allow it and Road participating states to co-shape the changing global maritime order. Within this construct, China, like previous and existing powers, is seeking to reduce the impact of disruptive forces on key supply chains—the Road is not anomalous. The initiative will allow China to build resilience to economic or diplomatic isolation that could negatively impact its economy and subsequently domestic stability. At the same time, however, by investing in fragile states China is taking substantial risks, which could affect the economy it is trying to protect.

In chapter 2, the report details how the Road is interacting with the countries and security dynamics of the SCS and the IOR. China’s maritime renaissance, spearheaded by the Road, adds to the security complexity of the SCS and the IOR. These are security spaces that are more contested by regional and extra-regional players than the Belt’s most strategic regions. In the SCS, the Road is attractive to most of ASEAN, given its strong interest in improved connectivity, economic opportunities and good ties with China. That said, the Road is impacted by and impacts preexisting maritime and

<sup>1</sup> This policy report is based on a nine-month study. The analysis in this report is based on desk and field research. The desk research made use of Chinese and English language material. Field research involved three workshops and a range of interviews held in Manila, the Philippines; Yangon, Myanmar; and Shanghai, China. Select insights from 94 analysts from 60 institutions in 20 countries are included in this report. Both non-traditional and traditional security implications are discussed, with an overarching emphasis on maritime security and reactions to the Road in the countries located along the SCS in South East Asia and the IOR, mostly focused on the littoral states in the northern ranges.

<sup>2</sup> See Ghiasy, R. and Zhou, J., *The Silk Road Economic Belt: Considering Security Implications and EU-China Cooperation Prospects* (SIPRI: Stockholm, Feb. 2017).

jurisdictional disputes. This affects the receptiveness of the South East Asian claimant states, two of which, Vietnam and the Philippines, are somewhat anxious about Chinese investment. Beyond this, the Road, at times, also rekindles existing stresses and strains between China and regional states. This dynamic oscillates between moderation in pursuit of common maritime economic development and a shelving of territorial disputes, and the exacerbation of concerns among some regional states about China's growing footprint and a regional arms build-up. When accompanied by uncertainty over US engagement, as well as the overall lack of an effective regionally led security architecture and ASEAN cohesion, some of these countries are beset by concerns over what China's security vision for the region might look like and how jostling between powers in the region could affect their own security.

In the IOR, the Road seeks to create, alongside the Belt, a production and trade network linking this maritime domain with the Eurasian hinterland and Western China. This would be a historic first that could contribute to the opening up of landlocked Central Asia, improved connectivity in South Asia, and greater Eurasian economic integration and security cooperation. As a result, the Road in association with the Belt could reshape the nature of the IOR into a more interconnected global commons that could provide a host of new economic opportunities. In so doing, the Road has begun to stimulate greater competition over development-support and connectivity in the region. While this may be a positive trend, it also precipitates greater militarization and maritime rivalry in an already complex multi stakeholder region, in particular between China and the resurging quadrilateral consisting of the United States, India, Japan and Australia (the 'Quad'). By blending complex Eurasian terrestrial and maritime security spaces through the BRI, China is likely to be compelled to undertake a stronger role in IOR security affairs, as is already happening in Myanmar, the Maldives and Pakistan. This dynamic contributes to unprecedented China-Indian security interaction. Furthermore, the Road might facilitate China becoming a resident military power in the IOR and diminish the role of the USA as the primary security provider, as well as some of India's envisaged security aspirations. The question arises, however, whether this would produce a sustainable US-Indian-Chinese security condominium or some alternative that includes the EU or some of its individual member states in the Indian Ocean. In the process, the development of the Road is likely to continue to contribute to an increase in geostrategic overtures and military posturing by both regional and extra-regional actors.

Chapter 3 evaluates how EU security interests, particularly maritime security interests, in the SCS and the IOR intersect with Road ambitions and security implications. In this context, it explores possible avenues for security and economic cooperation with China and regional stakeholders. While Road objectives serve China's core interests they are not entirely acquisitive and several of these overlap with the European Union Maritime Security Strategy (EUMSS) and the EU Global Strategy. These include stimulating sustainable global growth of the blue economy, improving local and regional connectivity, facilitating international cooperation on 'green' development in the blue economy, and promoting maritime security and stability at large. Indeed, through the Road, China will be increasingly drawn into stabilizing states and regions in order to safeguard its interests. After all, the BRI is likely to remain a red thread in China's foreign policy. This will certainly generate positive results in some cases, but such cross-pollination may not always be in line with EU norms and values as they relate to governance models, development approaches, business standards and human security.

Based on the findings in chapters 1 and 2, on balance the Road in its current incarnation may pose more security challenges than solutions for the EU over the

medium and long-term. This has more to do with preexisting maritime issues and tensions, the multi stakeholder nature of the SCS and IOR, and some of the practical security implications of the Road to date than the stated objectives of the Road. These implications are the product of both Chinese approaches and (extra-)regional stakeholder receptiveness to the Road. The EU and like-minded stakeholders should consider pursuing avenues that could limit these challenges. Ideally, the EU and China seek greater opportunities for collaboration on maritime security, although the recommendations below indicate that these may be limited in the Road's context, or at least require more dialogue and creative thinking. One exception, as with the Belt, are the United Nations Sustainable Development Goals (UN SDGs), which offer ample opportunities for cooperation. The Road, as with the Belt, advances through trial and error and China may be receptive to revising, if not the objectives, then at least some existing approaches if a combination of incentives and disincentives is applied.

### **Recommendations to the EU**

1. Overall, there needs to be greater integration of development as a core tenet of security, inclusion and stability within the EU's regional engagement of South East Asian and IOR states. While this need not obviate its pursuit of democratic and human rights ideals, a failure to take better account of regional and individual state demands and their need for growth will leave the EU marginalized as China expands its engagement along the Road.

2. Rather than undertaking an evaluation of the regions as groups, an EU approach based on evaluating each country's non-traditional and traditional security climate and each sector's investment climate is merited. As economic and strategic engagement are intertwined in this approach, new geo-economic and geostrategic avenues of engagement should be devised.

3. In the SCS, if China gains a stronger economic, financial, diplomatic and military presence through the Road, over time it may gain the leverage to achieve its maritime claims, thereby possibly impacting the security of EU SLOCs and freedom of navigation. This is a red line and the EU is advised to engage with China, ASEAN and other stakeholders to discuss its concerns and the exact particulars of the maritime security that stakeholders foresee for the SCS. European countries currently engaged in freedom of navigation operations should stand at the forefront of such an approach.

4. Greater EU attention to maritime security in the SCS and especially the IOR is firmly recommended—the relevance of both regions to EU diplomatic, economic and security interests cannot be overstated. The EU would benefit from having a proactive strategic policy prescription for what the formulation of the Indo-Pacific means for long-term regional stability, particularly given the security implications of the Road. To begin with it may benefit from a series of track 1.5 workshops on this topic with stakeholders.

5. In the IOR, the EU should closely monitor the changes in maritime security developments led by China, on the one hand, and the Quad, on the other. Rather than taking sides, the EU should support a peaceful transition to new regional security arrangements that include its own members, while strategically using the interplay and merger of the IOR's maritime and terrestrial security spaces to its economic, diplomatic and security advantage.

6. This project's IOR workshop experts from South Asia actively called for the EU to play a greater role as a regional maritime security coordinator, particularly in the light of growing tensions between China and the Quad. In listening to these voices from the region, there are a number of points of entry for the EU to consider. The Indian Ocean

Rim Association for Regional Cooperation could facilitate economic cooperation, while the Galle Dialogue and the Indian Ocean Naval Symposium provide forums for naval chiefs.

7. Given that fighting piracy, counterterrorism and providing safe passage for the large amount of trade between the EU and the Indian Ocean are high priorities among all actors, the EU could play a central role in establishing and maintaining a code of conduct by establishing a track 2 platform comparable to the Council for Security Cooperation in the Asia Pacific or through strategic groupings of external actors in the region, whether in bilateral, trilateral or quadrilateral formations.

8. The EU has a number of local missions within South East Asia and South Asia that could be better tailored towards engagement in Road projects with local stakeholders. Doing so may better ensure that economic and security engagement is coordinated, sustainable and inclusive of local needs and security interests, fishing rights and resource exploration.

9. EU security interests could possibly be met indirectly through economic avenues. One example: EU companies and member states would benefit from the building of coalitions, in an enhanced version of the 'cluster internationalization' construct, to enhance economies of scale and bid on local tenders along the Road. This could also help open up the Road tender and bidding processes and lay the groundwork for the integration of special economic zones (SEZs) in South East Asian and IOR countries.

# 1. The Maritime Silk Road

## KEY FINDINGS

The Road:

- is constantly expanding its geographic scope to new waters, and is seeking to diversify and secure sea lines of communication as part of China's maritime renaissance;
- intends to meet a range of China's core interests by pursuing further development of its more than \$1.2 trillion blue economy, improving food and energy security, upholding territorial sovereignty and enhancing its international discourse power;
- lacks peers that approximate its scale and speed, and in tandem with the Belt could fill a substantial maritime-terrestrial connectivity gap and instil a spirit of cooperation on development, but engenders scepticism over possible security implications;
- can be seen as a prevention strategy that seeks to strengthen China's resilience to economic or diplomatic isolation that could negatively affect domestic stability;
- allows China to reap security benefits, while also taking risks, by expanding its maritime strategic space far beyond its enclosed adjacent waters;
- could contribute to China's economic security by connecting terrestrial and maritime infrastructure into a mega production and trade network that is projected to reduce the impact of disruptive forces to key existing supply chains; and
- adds to the security complexity of the South China Sea and the Indian Ocean Region, which are more contested than the Belt's strategic regions.

This chapter explores what China's 21st Century Maritime Silk Road (the 'Road') entails and the aspirations that underlie it. The scope and strategic evolution of the Road are reviewed, as well as why China has introduced the Road and how it is intended to serve China's core interests. The focus is on the strategically significant South China Sea (SCS) and Indian Ocean Region (IOR).<sup>3</sup>

## 1.1. Scope and strategic evolution

The Belt and Road Initiative (BRI) is a long-term Chinese vision for improved global connectivity, expanded production and trade chains, and closer overall cooperation.<sup>4</sup> Thus far, the BRI has mainly focused on Eurasia and Africa.<sup>5</sup> The Road, which is the maritime/coastal component of the BRI, focuses on creating a network of ports, through construction, expansion or operation, and the development of portside industrial parks and special economic zones (SEZs).

In this way, the Road, in tandem with its terrestrial complement, the Silk Road Economic Belt (the 'Belt'), fills a connectivity gap in large economically heterogeneous parts of Asia and Africa and has no peers that approximate its scale and speed. Alongside the enthusiasm and spirit of cooperation on economic development and connectivity among some 90 countries and international organizations, including the United Nations, the BRI has caused strategic and security concerns among a number of stakeholders. Among these, the most outspoken are Australia, India, Japan, Viet Nam and the United States; France, Germany and the United Kingdom in Europe; and critical political elites and non-governmental organizations (NGOs) in some

<sup>3</sup> The Road also encompasses the Mediterranean Sea, the South Pacific and the Arctic Ocean. In comparison to the SCS and the IOR, the South Pacific and Arctic Ocean are of lesser strategic importance to global stakeholders, including the EU, but it was also due to time and budgetary limitations that this project was unable to focus on these maritime spaces. As it relates to the Mediterranean Sea, Clingendael's Frans-Paul van der Putten, among others, has already conducted useful analyses of the Road's geopolitical and security implications.

<sup>4</sup> For more information on what the BRI, and the Silk Road Economic Belt more specifically, entail and its drivers, see Ghiasy and Zhou (note 2).

<sup>5</sup> The scope of the BRI is continuously growing: Oceania, Latin America and even the Arctic are gradually becoming part of the BRI vision.

BRI recipient states.<sup>6</sup> A number of these concerns apply to the Road. Moreover, the Road, and the BRI in general, was elevated by the Communist Party of China (CPC) to the constitutional level following the BRI's fourth anniversary in October 2017.<sup>7</sup> This reflects the strong political support from the CPC for sustaining the BRI as a red thread in Chinese foreign policy, and has significantly enhanced the Road's strategic importance and longevity.<sup>8</sup> Many observers both within and outside of China have come to associate the BRI with China's President, Xi Jinping, and it has become a marker of his ambitious leadership. For years to come, a considerable allocation of Chinese political, financial, economic, diplomatic and human capital should be expected to be devoted to the initiative. This will be needed, as the Road is continually expanding its geographic scope.

At its introduction in October 2013, the Road was oriented towards cooperation with the Association of South East Asian Nations (ASEAN).<sup>9</sup> The geographic scope, however, was not clearly defined. Sixteen months later, in the first official document on the Road, the initial ASEAN-centred focus had been supplemented by broader maritime coverage beyond the SCS and into the IOR, the South Pacific, the Mediterranean Sea and the Atlantic.<sup>10</sup> In June 2017, China expanded the Road's reach by incorporating the Arctic Ocean into the Road, often referred to as the 'Polar Silk Road' (冰上丝绸之路).

Hence, the Road currently has three envisaged major arteries. The first and main artery goes from China's coast to Europe through the SCS, the IOR and the Mediterranean Sea, and into the Atlantic. Its second artery extends from China's coast through the SCS to the South Pacific and then onto greater Australia. The third artery extends through the Arctic Ocean, passing north-west alongside Russia's northern coast to connect with the Nordic region and other parts of Europe, and north-east past Canada.<sup>11</sup> Importantly, this expanding scope gives China and the states along the Road more strategic maritime space in which to act. China's own maritime space lacks scope and depth. While China borders four seas—the Bohai Sea, the Yellow Sea, the East China Sea and the SCS—it is enclosed by the Korean Peninsula, Japan, the Philippines and Viet Nam. This is in stark contrast to US maritime space, which is largely open and exclusive on both the Atlantic and the Pacific side, and the European Union (EU), which is only enclosed along its southern fringes by North Africa. In contrast to the Atlantic and the Pacific, or the most strategic spaces of Central and South Asia traversed by the Belt, the SCS and Indian Ocean are more complicated and contested security spaces to which China's maritime renaissance adds (see chapter 2).

Alongside its expansion in geographic scope, the Road has also undergone a strategic evolution. As an adaptable and evolving initiative, the Road seeks to embrace any strategic opportunity that enhances China's national strength and serves its core interests.<sup>12</sup> In particular, this involves sustaining China's continuing economic growth

<sup>6</sup> With the exception of Viet Nam, none of these states have yet signed a bilateral memorandum of understanding with China on the BRI writ large. In practice, little BRI activity has taken place in Viet Nam to date.

<sup>7</sup> During the 19th Communist Party of China (CPC) National Congress in October 2017, the BRI was incorporated into the CPC's Constitution. 'Full text of resolution on amendment to CPC Constitution', Xinhua News, 27 Oct. 2017.

<sup>8</sup> Wang, Y., '“一带一路” 写入党章, 对话会聚焦政党参与和贡献' [BRI incorporated into CPC constitution: High-level dialogue between the CPC and world political parties focuses on participations and contributions], *The People*, 30 Nov. 2017.

<sup>9</sup> National Development and Reform Commission, 'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road', 28 Mar. 2015.

<sup>10</sup> National Development and Reform Commission (note 9).

<sup>11</sup> 'China focus: China publishes Arctic policy, eyeing vision of "Polar Silk Road"', Xinhua, 26 June 2018.

<sup>12</sup> There is no consensus on the definition of national strength in China. Yan Xuetong, a professor at Tsinghua University, included three dimensions in his 2005 definition: Economic power, military power and political power. Hu Angang, another professor at Tsinghua University, also included economic and military power in his definition, but labelled technological and strategic power two additional components of national strength. Yan, X., '中国崛起的实力地位' [The rise of China and its power status], *Science of International Politics*, vol. 2, no. 2 (2005), pp. 1–25; and Hu, A., 'Zhong Guo Shi Li Jin Ru Shi Jie Qian Lie' [China's national strength in top rank of the world], 18 Oct. 2017.

by furthering development of the blue economy, which contributed to 9.4 per cent of China's gross domestic product (GDP) in 2017, or more than \$1.2 trillion.<sup>13</sup>

In China, the concept of the blue economy is broadly regarded as ocean-related industry and the utilization of ocean-related resources.<sup>14</sup> This approach differs from that increasingly found among Western countries and NGOs, where environmental sustainability, or 'greening', has gained more weight in decision-making processes.<sup>15</sup> Hence, the environmental implications of a number of Chinese Road investments in host countries and adjacent waters have fuelled criticism among local and Western stakeholders.<sup>16</sup> Moreover, China's inability to curb domestic air, soil and water pollution has raised doubts about whether its foreign Road investments will be green.<sup>17</sup> Against this backdrop, China has been proactively pursuing marine sustainability by promoting green investment and development, and through international frameworks such as the 2016 Paris Climate Agreement. In addition, the Road intends to synchronize its efforts with the UN 2030 Agenda for Sustainable Development.

This shift in approach is also evident in China's BRI White Paper of June 2017, *Vision for Maritime Cooperation under the Belt and Road Initiative*. The paper addresses 'green development' by providing concrete policy guidance, setting up monitoring systems and proposing cooperation on environmental improvement.<sup>18</sup> By contrast, the first BRI White Paper, published in 2015, *Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st Century Maritime Silk Road*, only briefly referred to the importance of environmental safeguards.<sup>19</sup> The 2017 White Paper recognizes mutual 'maritime security' as protection from traditional and non-traditional security threats to good order at sea, and that the Road serves as a key assurance for developing the blue economy. Maritime security was not mentioned in the 2015 document.

These documents illustrate how China is learning and adapting as the Road project evolves. According to one prominent Chinese BRI-shaper, the initiative is 'barely a five-year old kid that is still making mistakes and still learning'.<sup>20</sup> China is now seeking to incentivize maritime cooperation in domains of common security interest such as maritime navigation security, search and rescue missions and marine disaster response, as well as maritime law enforcement.<sup>21</sup> Alongside maritime security and 'green' development, China has prioritized 'collaborative governance', 'innovative growth' and 'ocean-based prosperity'. This inter-state cooperation and synchronization of the maritime development plans of the states along the Road could encourage the collective tackling of non-traditional security challenges. However, it is too early to take a firm stance on this. What is evident is that the Road permits China to lead and promote maritime cooperation and governance along its routes and co-shape the future maritime order.

<sup>13</sup> China's State Ocean Administration, '2017 年中国海洋经济统计公报' [Bulletin of statistics on 2017 China's marine economy], 1 Mar. 2018.

<sup>14</sup> Conathan, M. and Moore, S., 'Developing a blue economy in China and the United States', Centre for American progress, May 2015.

<sup>15</sup> 'What a "blue economy" really is: WWF's perspective', WWF Global, 10 July 2015; and The World Bank, 'What is the blue economy?', 6 June 2017.

<sup>16</sup> Cheunboran, C., 'President Xi's grand strategic initiatives: Cambodian perspectives', Cambodian Institute for Strategic Studies, 11 Feb. 2016; and Eisenman, J. and Stewart, D. T., 'China's new Silk Road is getting muddy', Foreign Policy, 9 Jan. 2017.

<sup>17</sup> Pike, L., 'Explainer: Will China's new Silk Road be green?', China Dialogue, 11 May. 2017.

<sup>18</sup> 'Vision for Maritime Cooperation under the Belt and Road Initiative', Xinhua, 20 June. 2017.

<sup>19</sup> National Development and Reform Commission, 'Vision and actions on jointly building Silk Road Economic Belt and 21st Century Maritime Silk Road', 28 Mar. 2015.

<sup>20</sup> Analyst, SIPRI-FES Workshop, Yangon, Myanmar, 22–23 Feb. 2018.

<sup>21</sup> Xinhua News (note 7).

## 1.2. Exploring China's aspirations

What is China seeking to achieve by establishing the Road? To understand this, it is necessary to briefly delve into China's maritime history. While China has long been considered a continental power, it also had a rich maritime history, some of which was part of the old Silk Roads. China's maritime capabilities arguably peaked during the Ming Dynasty in the first half of the 15th century. Through a history of lost sea battles in the past 200 years and by observing the rise and decline of more contemporary powers, China has learned that a global power must possess strong maritime power: 'weak maritime power leads to a declining nation; strong maritime power leads to a strong nation' (海殇则国衰, 海强则国兴).<sup>22</sup> The importance of achieving a 'maritime renaissance' has been addressed ever since the establishment of the People's Republic of China, but progress has lagged behind its achievements in other military and non-military domains.<sup>23</sup> Backed by a clear vision and political backing, China's maritime power is catching up now that it has overcome its dwindling economy and relative technological backwardness of the 20th century.<sup>24</sup>

Indeed, the Chinese leadership has increasingly turned its attention to maritime interests. At the 18th National Congress of the CPC in November 2012, then President of the China, Hu Jintao, declared China's ambition to become a strong maritime power.<sup>25</sup> This ambition was repeated in China's Defence White Paper in 2013 and again in 2015.<sup>26</sup> The People's Liberation Army Navy (PLAN) has since shifted its focus from offshore waters defence to open seas protection, or becoming a blue water navy that is capable of protracted operations in the open oceans and that has the ability to project power even in distant waters.<sup>27</sup>

This shift is crucial for China because expanded investment through the Road requires a stronger PLAN to protect its overseas interests, citizens and assets. Unlike the USA, China still lacks an adequate naval network and capacity.<sup>28</sup> It is also driven, however, by unresolved maritime and jurisdictional disputes in the East China Sea and the SCS. In addition to these disputes, the US 'Rebalance to Asia', which commenced in 2011 to demonstrate that the USA had the will and resources to remain fully engaged in East Asia, helped to accelerate China's increase in maritime power to secure its maritime interests. The Road is a key instrument in achieving these objectives, if only by securing strategic 'real estate' and related geostrategic and security benefits.<sup>29</sup> Chinese investments in unstable regions and fragile states also carry significant risks to the Chinese economy. Given China's economic weight in the global economy, if these substantial investments were to turn sour, the increasing economic and political cost could lead to strategic overreach (战略透支) and indirectly even impact the global economy.<sup>30</sup>

China's maritime interests should not be understated as they are grounded in

<sup>22</sup> One such example is the 1894 defeat of the Beiyang fleet during the War of Jiawu against Japan in the Yellow Sea in 1894; '海军代表热议海洋问题: 海殇则国衰, 海强则国兴' [Representatives from PLAN discuss maritime affairs: Weak maritime power leads to a falling nation; strong maritime power leads to a strong country], *Jie Fang Jun Bao*, 8 Mar. 2014.

<sup>23</sup> Xie, Z., 'China's rising maritime strategy: Implications for its territorial disputes', *Journal of Contemporary East Asia Studies*, vol. 3, no. 2 (2014), pp. 111–24.

<sup>24</sup> Analyst, interview with the authors, Shanghai, Mar. 2018.

<sup>25</sup> '中共十八大代表强烈支持中国海洋强国' [Representatives of the 18th National Congress of the Communist Party of China strongly support China's decision to become a strong maritime power], *Xinhua*, 10 Nov. 2012.

<sup>26</sup> 'The diversified employment of China's Armed Forces', *China State Council Information Office*, Apr. 2013.

<sup>27</sup> 'China's military strategy', *China's State Council Information Office*, 27 May. 2015.

<sup>28</sup> Liu X., '论中国的海外利益' [On China's overseas interests], *Communist Party of China News*, 17 Aug. 2010; see also the Lowy Institute's new 'Asia Power Index'.

<sup>29</sup> Wu, X., *China's 'Sea Power Nation' Strategy*, ISDP, June 2014.

<sup>30</sup> '时殷弘: 中国必须谨防战略透支' [Shi Yinhong: China needs to beware of strategic overreach], *Ifeng*, 4 Oct. 2016.



China's core interests—or non-negotiable—interests. China's core interests are: (a) its political system and state security; (b) state sovereignty and territorial integrity; and (c) the continued stable development of the economy and society.<sup>31</sup> These three interests have since been expanded to seven: (a) the regime; (b) sovereignty; (c) unity; (d) territorial integrity; (e) the welfare of the people; (f) sustainable economic and social development; and (g) other major interests of the state and the capability to maintain a sustained security status.<sup>32</sup> State sovereignty, territorial integrity, regime stability and sustainable economic and social development are the four key components of China's core interests. These are also the basic guidelines for China's maritime interests and the benchmarks for the key security interests that China intends to establish through the Road.

Despite these guidelines, like the Belt, the Road did not have a single event or driver that led to its genesis. Rather, it is an aggregation of a number of drivers. In Chinese and international discourse on the BRI there is much talk of the Road, or more accurately the BRI, serving as a Chinese style of globalization. This suggests that the initiative has grandiose objectives for a Chinese-led style of global development that will lead to a China-centric economic order. While this notion certainly has some substance, as is largely covered in the SIPRI–FES report on the Belt, the drivers are still rather opaque and may not have been that well developed at the outset by Chinese strategic thinkers at the highest levels.<sup>33</sup> This analysis therefore prefers to focus on the more obvious interests outlined below. It should be noted that since the Road is a long-term initiative, as Chinese and global dynamics change, so may China's aspirations for the Road.

### Developing the blue economy

The ocean, the largest and most critical ecosystem on Earth, is becoming a new focal point in the global discourse on growth and sustainable development. In many ways the world is at a turning point in setting its economic priorities for the ocean. China does not want to be left out.<sup>34</sup> In 2012–17, China's blue economy grew by an average of 7.5 per cent annually. It currently accounts for nearly 10 per cent of China's GDP, and the aim is to expand this to 15 per cent of GDP by 2035.<sup>35</sup>

With nearly 90 per cent of China's total international trade by volume and some 60 per cent of trade by value transported by sea, maritime trade is the primary engine sustaining China's national economy.<sup>36</sup> Through the Road's 'Blue Partnerships', China can export its industrial overcapacity to overseas markets and foster new sources of growth for its domestic and the local economy, some of which are tied to emerging growth niches in the blue economy.<sup>37</sup> To this end, and among other drivers, China has actively started to seek ownership of foreign seaports along strategic transit channels through land-use agreements between Chinese state-owned enterprises and local

<sup>31</sup> '首轮中美经济对话: 除上月球外主要问题均已谈及' [First round of US–China Strategic and Economic Dialogue: Discussed all major problems except stepping on the Moon], *China News*, 29 July 2009.

<sup>32</sup> These core national interests were first defined in public in 2009 by Dai Bingguo, a former State Councillor. The loose concept of 'other major interests' has led to several diverse definitions, weakening claims that issues are core interests, see Article 2 of the National Security Law of the People's Republic of China, 2015, Chinese Ministry of Defense, 1 July 2015.

<sup>33</sup> See Ghiasy, R. and Zhou, J. (note 2), pp. 1–17.

<sup>34</sup> The Economist Intelligence Unit, *The Blue Economy: Growth, Opportunity and a Sustainable Ocean Economy* (The Economist: London, 2015).

<sup>35</sup> XinhuaNet, 'China focus: China's maritime economy expands by 7.5 pct in recent five years', 21 Jan. 2018.

<sup>36</sup> Royal Institute of International Affairs, 'The future of sea lane security between the Middle East and Southeast Asia', US Project Meeting summary, Chatham House, 23–24 June 2015; and CSIS, 'How much trade transits the South China Sea?', *China Power*, 2 Aug. 2017, updated 27 Oct. 2017.

<sup>37</sup> Chang, K. M., '中国21世纪海上丝绸之路战略之研究' [A study of the strategy of 21st Century Maritime Silk Road], *Taiwan International Studies Quarterly*, vol. 13, no. 1 (Spring 2017), pp. 141–78.

**Table 1.1.** Chinese sea port ownership in the South China Sea and Indian Ocean Region since October 2013

Year	Region	Host state	Port	Lease period
2015	Indian Ocean	Pakistan	Gwadar	40 years
2015	Indian Ocean	Myanmar	Kyaukpyu	50 years
2015	South China Sea	Malaysia	Kuantan	60 years
2016	Indian Ocean	Djibouti	Obock	10 years
2016	South China Sea	Malaysia	Melaka Gateway	99 years
2017	Indian Ocean	Sri Lanka	Hambantota	99 years
2017	South China Sea	Brunei	Muara	60 years
2017	Indian Ocean	Maldives	Feydhoo Finolhu	50 years

*Note:* Transparency issues mean that data on the year of agreement and lease period may be inaccurate.

*Sources:* Data compiled by the authors from various sources.

authorities, many of which are in the IOR (see table 1.1).

Investment in these ports, port-affiliated infrastructure and SEZs throughout the Road is intended to stimulate the local blue economy, connect with China's coastal areas and in a number of cases—such as Gwadar in Pakistan and Kyaukpyu in Myanmar, so-called gateway ports—stimulate the redevelopment of China's terrestrial economy by connecting China's less-developed inland provinces through the economic corridors along the Belt to the Indian Ocean.<sup>38</sup>

It is evident that China is seeking to merge terrestrial and maritime infrastructure along the Belt and the Road into a mega production and trade network that can create synergies between the traditional and the blue economy. However, it should be noted that while the Belt is creating valuable land 'lifelines' for energy and goods across Eurasia to China, these, with a few exceptions, cannot compete with the volume-price ratio of seaborne trade. For this reason, China is seriously pursuing the development of both its terrestrial and its blue economy and the Road should not be seen as a stand-alone project. The Belt and the Road are very much a mutually synergizing whole.

### **Fostering food security**

All economies, particularly rising powers, seek to mitigate risks to their supply chains and China is no exception. The potential for economic or diplomatic isolation, such as that imposed by the USA on China in the 1950s and again in the 1990s, has been taken seriously by the Chinese Government.<sup>39</sup> China has become highly committed in its drive to strengthen its resilience, or more accurately its 'geo-economic resilience', to threats that could affect its socio-economic stability and consequently regime security.<sup>40</sup> The recent trade and tariff disputes with US President Donald J. Trump's Administration reinforces this rationale.

The need to improve resilience also applies to China's food security. With a population of about 1.4 billion, food security is key to domestic stability. There is a growing demand from China for food imported by both land and sea. As a share of total merchandise imports, Chinese food imports increased from 3.2 per cent in 2006 to 6.3 per cent in 2016. In 2017, 43 per cent of Chinese staple food imports

<sup>38</sup> '蓝色经济有了航行图' [Blue economy navigation chart], *People*, 4 July 2017.

<sup>39</sup> Friedberg, A. L., 'Globalisation and Chinese Grand Strategy', *Survival*, vol. 60, no. 1 (Jan. 2018), pp. 7–40.

<sup>40</sup> Ljungwall, C. and Bohman, V., 'Mending vulnerabilities to isolation', *RUSI Journal*, vol. 162, no. 5 (2017), pp. 26–33.

passed through the Malacca Strait and 39 per cent through the Panama Canal. Both of these are choke points, or narrow channels along widely used global sea lanes, under the protection and surveillance of the US Navy. China only has a limited maritime capacity and presence in these waters.<sup>41</sup> These imports are thus subject to a risk of US Navy interdiction. In tandem, China has also addressed the importance of establishing overseas bases for food production, processing and storage. As a result, in the past decade Chinese companies have engaged in a variety of land-, food- and agriculture-related acquisitions in South East Asia, Russia, Australia, Latin America and the USA.<sup>42</sup>

For example, China is now the second largest foreign agricultural landholder in Australia, with 9 112 000 ha, just 0.1 per cent behind the UK.<sup>43</sup> Such acquisitions indirectly help to secure China's domestic food supply by increasing global food production.<sup>44</sup> Seeking rights of utilization over land and resources in foreign countries is a recurring pattern and part of China's long-term calculus for mitigating geopolitical and economic risks.<sup>45</sup> To transport these agricultural supplies to China, improved and diversified terrestrial connectivity through the Belt and maritime connectivity through the Road are essential.

### Fostering energy security

Improving resilience also applies to China's energy security. In 2017, China surpassed the USA as the world's largest importer of crude oil. By 2035, China will need to import approximately 80 per cent of its oil to meet demand, compared to 64 per cent in 2016.<sup>46</sup> China is heavily dependent on oil imports from the Middle East and Africa. Its transit routes all pass through the IOR and the SCS, and 80 per cent of these seaborne imports pass through the Malacca Strait.<sup>47</sup> As a result, China is deeply concerned about its dependence on the South East Asian straits, of which the Malacca Strait is the most often highlighted among all of the straits around the Malay Peninsula. Hu Jintao spoke of this concern in 2003 following an increase in the US naval presence around the South East Asian straits. Chinese media and scholars dubbed the address the 'Malacca dilemma', stressing the challenges to China's international trade and energy security.<sup>48</sup> Much of this is linked to the fear that the US Navy could interdict the transit of energy supplies and hence affect China's energy security.<sup>49</sup>

That said, the viability and sustainability of a blockade strategy is debatable. With the exception of the Suez crisis in 1956, state fragility and armed conflicts have barely

<sup>41</sup> Bailey, R. and Wellesley, L., *Chokepoints and Vulnerabilities in Global Food Trade*, Chatham House Report (Royal Institute for International Affairs: London, 2017).

<sup>42</sup> Zhou, J., 'China and (world) food security', SIPRI, 16 Oct. 2016.

<sup>43</sup> Government of Australia, *Register of Foreign Ownership of Agricultural Land: Report of Registrations as of 30 June 2017* (Australian Taxation Office: Canberra, 30 June 2017).

<sup>44</sup> Chen, Q. and Guo, P., 'Outward foreign direct investment in agriculture by Chinese companies: Land grabbing or win-win?', *Economic and Political Studies*, vol. 5, no. 4 (2017), pp. 404–20.

<sup>45</sup> China has also focused on gaining ownership by purchasing mines and oil wells in foreign countries to secure its energy needs. Friedberg (note 39).

<sup>46</sup> US Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China, 2017* (Office of the Secretary of Defense: Washington, DC, 15 May 2017).

<sup>47</sup> Li, W., '印度洋区域安全治理的中国因素', [An analysis of the Chinese Factor in security governance in the Indian Ocean Region], *Journal of International Security Studies*, vol. 35, no. 5 (Sep. 2017); 'China surpassed the United States as the world's largest crude oil importer in 2017'; and US Energy Information Administration, 'Today in energy', 5 Feb. 2018.

<sup>48</sup> In 1986, the USA planned that its navy would control 16 key sea routes, including the Malacca Strait. After the terrorist attacks of 11 Sep. 2001, the USA modified its engagement in regional security and the Malacca Strait became a designated second frontline against terrorism. In China, this has been interpreted as an increased threat to its energy supply chain, see Storey, I., 'China's "Malacca dilemma"', *China Brief*, vol. 6, no. 8 (Apr. 2006); and Sun, T. and Payette, A., 'China's two ocean strategy: Controlling waterways and the new silk road', *Asia Focus* no. 31 (IRIS: Paris, May 2017).

<sup>49</sup> Wang, L., 'Sea lanes and Chinese national energy security', *Journal of Coastal Research*, Special issue, no. 73 (2015); and Tan A., *Security Strategies in the Asia-Pacific: The United States' 'Second Front' in Southeast Asia* (Palgrave Macmillan US: New York, 2011).

ever resulted in blocked choke points. Moreover, the costs of a restriction on China's access to the South East Asian straits would not only affect China's economy, but also harm the economic interests of the USA and its allies.<sup>50</sup> In fact, one senior analyst has pointed out that since the end of World War II, there have barely been interdictions of commercial transit in the IOR or the SCS because such transit tends to be multi stakeholder.<sup>51</sup> It is, however, in the CPC mindset to prepare for the worst and to alleviate sources of vulnerability, rather than hope for the best. Evidence of this can be found in China's efforts to develop the China–Myanmar natural gas and oil pipelines that run from Kyaukpyu port to Kunming. The pipeline's goal is to reduce China's heavy reliance on the South East Asian straits.

### **Diversifying and securing sea lines of communication**

Reducing dependence on the US Navy by securing existing routes through the PLAN and the creation of alternatives through the Road and the Belt are crucial to China. This is important not only because of the above-mentioned potential for interdiction at choke points, but also at the structural and long-term levels. Therefore, another key objective of the Road is to pave the way for China to secure its sea lines of communication (SLOCs), the primary maritime routes between ports used for trade, logistics and naval forces. In China's case this translates into an assurance of strategic or unimpeded access to vital international sea routes. The importance of access to a diverse and secure range of SLOCs cannot be overstated as this defines the territorial reach and physical capabilities of China and is integral to the achievement of its political, economic and military potential.<sup>52</sup>

Therefore, it should be expected that as the Road's footprint grows, the PLAN is very likely to follow suit. This dynamic is symbiotic: the PLAN needs reliable logistical chains to resupply food, fuel and armaments across the SLOCs, which in turn can be used to secure the SLOCs. In terms of the role of the Road, this requires the building of logistical infrastructure at strategic locations in key states. For example, Gwadar port—which is 400 km from another potential choke point, the Strait of Hormuz—could play an important role in helping the PLAN monitor the SLOCs in the Arabian Sea and the Persian Gulf, or at least gain access to critical port facilities.<sup>53</sup> It should be noted however that the port is currently solely for commercial use. In turn, the lease by China of the port and military base in Obock, Djibouti, will enable the PLAN to project power around the Horn of Africa. This base demonstrates China's ambition to be a maritime power not just in the Pacific, but also in the Indian Ocean.<sup>54</sup> Securing SLOCs that run through both the Pacific and the Indian Ocean will require China to project maritime power in both oceans. Projection in only one of them would make little sense.

### **Upholding territorial sovereignty**

The Road can be seen as a soft power attempt by China to resolve maritime and jurisdictional disputes in the SCS with four South East Asian claimants. China's maritime claims in the SCS, and the East China Sea for that matter, have become core

<sup>50</sup> Medcalf, R., 'A US naval blockade of China?', *The Diplomat*, 13 Mar. 2013.

<sup>51</sup> Indian analyst, SIPRI–FES workshop, Yangon, Myanmar, 22–23 Feb. 2018.

<sup>52</sup> Chaturvedy, R. R., 'The 21st Century Maritime Silk Road', Observer Research Foundation, 10 Feb. 2017.

<sup>53</sup> Panneerselvam, P., 'Maritime component of China–Pakistan Economic Corridor (CPEC): India–China competition in the Arabian Sea', *Maritime Affairs: Journal of the National Maritime Foundation of India*, vol. 13, no. 2 (Jan. 2018), pp. 37–49.

<sup>54</sup> Denmark, A. and Patel, N. (eds), *China's Arrival: A Strategic Framework for a Global Relationship* (Center for a New American Security: Washington, DC, Sept. 2009), p. 54.

interests. China sees the East China Sea and the SCS as strategically allied against it through an S-shaped US-led alliance from South Korea to Japan to Taiwan (China) to the Philippines and on to Australia. China is trying to fracture this alliance and the SCS plays a key role in this. The SCS had been mostly tranquil since the 1980s, but disputes were reignited in 2009 when China claimed sovereignty over disputed waters using its nine-dash line, which makes a claim to close to 80 per cent of SCS waters.

The US response, ‘Freedom of Navigation’, published in 2010, further exacerbated tensions and these have continued to linger. The SCS disputes are at an impasse and unfavourable political and social undertones prevail in the region. While China’s 2017 BRI White Paper mentions upholding the existing international maritime order, China’s rejection of a ruling by the International Court of Arbitration in The Hague in 2016 risks international acceptance of the United Nations Convention on the Law of the Sea (UNCLOS), which China ratified in 1996 in spite of the fact that the USA has not ratified it. The rejection showed a side of China that does not necessarily abide by a rules-based order when its core interests are at stake.

China is attempting to build trust and improve bilateral ties with countries through the Road. From a Chinese perspective, common economic interests can improve political and security cooperation among countries. Hence, Chinese academics have argued that SCS disputes should not affect economic cooperation and long-term relations between the claimants, even if China’s maritime claims in the SCS are classified as a core interest.<sup>55</sup> Thus, with the Road, China has reprioritized economic development over territorial disputes—for now. However, this does not mean that China is willing to compromise on its nine-dash line claims. In fact, through the Road, China could bolster its economic and political leverage, and maritime power projection in the SCS. In the medium to long-term, this could undermine naval navigation freedom and economic influence of the USA and its allies, and enable China to resolve disputes with claimants bilaterally at ‘favourable’ moments.

### **Power to shape international discourse**

As part of its maritime aspirations, China intends to shape the future international and regional maritime order in the SCS, the IOR and beyond into one that favours Chinese interests.<sup>56</sup> To achieve this goal, China is seeking to increase its international discourse power through the Road. Discourse power is an important soft power that not only affects prevailing political values, regional norms and narratives, but can also introduce new values, as they relate for instance to diplomacy, and shape agendas, as they relate for example to syncing development priorities.

With its growing economic power, China is no longer willing to remain behind in the shaping of the international discourse. Its leadership has realized that although the USA remains the world’s largest economy, China is now the world’s most effective economic shaper.<sup>57</sup> As such, China is seeking to challenge and corrode ‘Western-centrism’ and balance it with a China-led economic order. One example is the ‘China solution’ to global governance. This solution aims to provide the Global South with alternatives based on the Chinese development model, which differs from the US-led consensus.<sup>58</sup> Maritime access plays a significant role in this context as it eases the

<sup>55</sup> “一带一路” 与中国在南海的战略平衡’ [The Belt and Road and the balance of China’s South China Sea strategy], FT Chinese, 16 Dec. 2016; and Wang, G., ‘Zhong Mei Nan Hai Bo Yi Yu “一带一路” 倡议在东盟的推进’ [Sino-US game in the South China Sea and ‘the Belt and Road Initiative’ in ASEAN], *Around South East Asia*, vol. 5 (2017).

<sup>56</sup> Zhang X., ‘专家: 海上形势日益复杂严峻, 中国应该多管齐下维权’ [Expert: Increasing complexity of the maritime situation: China should take different approaches at the same time], *China Ocean News*, 10 May 2016.

<sup>57</sup> China is ranked no. 1 on its strength of economic relationships and no. 2 on its strength of economic resources in Asia, see Lowy Institute, ‘Asia Power Index’, accessed 8 May 2018.

<sup>58</sup> Lee, B., ‘What on Earth is the “Chinese Solution”?’, 12 July 2016, *China-US Focus*; and “China solution” is

formation of shared security interests, strategic alliances and improved security ties.<sup>59</sup>

This does not mean that China is completely at odds with military cooperation with the West. In fact, the PLAN plays an active role in anti-piracy operations together with the EU and welcomes cooperation with the USA.<sup>60</sup> Such cooperation on non-traditional security issues bolsters China's favourable maritime image among Road-participating states. To better understand this dynamic, chapter 2 sheds light on perceptions of the Road in the SCS and the IOR, and examines its security implications for these regions.

diversified solution', *China Daily*, 19 Jan. 2018.

<sup>59</sup> Chaturvedy (note 52).

<sup>60</sup> Duchâtel, M. and Duplais, A. S., 'Blue China: Navigating the Maritime Silk Road to Europe, summary', European Council on Foreign Relations, 23 Apr. 2018.

## 2. The Maritime Silk Road: Security implications

### KEY FINDINGS

In the SCS, the Road:

- is attractive to ASEAN, given its strong interest in improved connectivity, economic opportunities and good ties with China;
- is impacted by and impacts maritime and jurisdictional disputes, affecting the perceptions of the four South East Asian claimant states;
- rekindles some pre-existing stresses and strains between China and regional states, oscillating between exacerbation of anxieties and an arms build-up, and moderation through the pursuit of common maritime economic development and the shelving of territorial disputes; and
- adds to an amalgam of regional ambiguity about the region's future as it is accompanied by uncertainty about US engagement, the lack of an effective regionally led security architecture, questions about China's vision for the regional security space and intra-ASEAN differences over how to engage collectively or as individual member states.

In the IOR, the Road:

- intends to create, alongside the Belt, a production and trade network linking the IOR, the Eurasian hinterland and Western China—a historic first that could contribute to greater Eurasian economic integration and security cooperation;
- stimulates competition over development-support and connectivity, but also precipitates greater militarization and maritime rivalry in an already complex region, in particular between China and the resurgent 'Quad' (the USA, India, Japan and Australia);
- could, in association with the Belt, reshape the nature of the IOR as a more interconnected global commons in lieu of its previous role as a relatively enclosed security space dominated largely by the USA, with ongoing questions about whether this would produce a sustainable US-Indian-Chinese condominium or an alternative that would include EU member states; and
- will blend various complex Eurasian terrestrial and maritime security spaces, compelling China to take a stronger role in IOR security affairs.

This chapter examines how the Road affects the security dynamics in the SCS and the IOR. The SCS section focuses on the South East Asian littoral states and ASEAN. The IOR section predominantly covers the northern half of the water body: the territory between Myanmar, the Horn of Africa and the Maldives, but also touches on Australia.

### 2.1. Security implications for the South China Sea

In observing the Road's security implications in the SCS, the analysis follows the two channels for persistent strain in relations between China and regional states. The first comprises more non-traditional security concerns, such as environmental degradation and resource pressures brought about by Chinese penetration of and influence over local economies, and the distrust often generated by the relatively low level of local buy-in, fears over indebtedness or debt-for-equity swaps, and the potential erosion of autonomy in decision-making and sovereignty. The second consists of more strategic and traditional security concerns that are related to Chinese investments in critical infrastructure and the enhanced leverage offered to China when it comes to jurisdictional and maritime disputes with regional claimants. Before elaborating further on these, it is useful to discuss the wider picture in the region.

The SCS security space has been subject to contests for geopolitical supremacy between regional kingdoms for over a millennium and between regional and extra-regional European colonial powers for many centuries. Since the end of World War II, the United States as an extra-regional actor has maintained a significant military

presence that undergirds maritime security in the SCS. In the 21st century, it is anticipated that the strategic significance of the SCS is likely to increase still further as the respective interests of its intra- and extra-regional stakeholders—particularly those of China—continue to grow and possibly collide.

An estimated 21 per cent of global trade passes through the SCS, which was the equivalent of \$3.4 trillion as of 2016.<sup>61</sup> Over 64 per cent of China's maritime trade by value travels through the SCS, making it pivotal to China's economic and therefore national security.<sup>62</sup> Beyond China, however, the SCS is also of pivotal economic and security importance to the USA, Japan, South Korea and the major economies of Europe. Furthermore, the SCS is of economic and security importance to the emerging Asian economies of India, Indonesia, Viet Nam and Pakistan, and given their combined and rapidly growing population of approximately 1.9 billion this importance is certain to increase.

The overall economic and security importance of the SCS to South East Asian nations cannot be overstated. They constitute half of the 10 biggest exporters in the SCS.<sup>63</sup> Home to 7 per cent of the world's population and strategically located along the SCS, the region is highly dependent on trade for economic growth, and boasts rich natural resources and a growing middle class. As an economic bloc, it is anticipated that ASEAN will expand to become the world's fourth largest economy by 2050.<sup>64</sup> To achieve this, the huge demand for infrastructure and connectivity in the region must be met in order to sustain high economic growth, both nationally and regionally. These development needs have drawn much of the Road's attention and a significant and fast-growing amount of China's foreign direct investment (FDI).<sup>65</sup> According to accounting firm, Ernst and Young, China's overseas mergers and acquisitions (M&A) in ASEAN member states reached a new peak in 2017, making up a quarter of the value of China's disclosed overseas M&As.<sup>66</sup>

ASEAN and the South East Asian governments are mostly interested in closer engagement with China. China was the first extra-regional country to sign the Treaty of Amity and Cooperation with ASEAN in 2003 and the first to sign a free trade agreement with it in 2002.<sup>67</sup> Since the period in 2008 when China stepped up its claims and activities in the SCS and the period leading up to and after the SCS arbitration case, relations between China and ASEAN and the South East Asian states have generally stabilized. Several factors have converged to bring this about: (a) the election of President Rodrigo Duterte of the Philippines and the shift in the Philippines' engagement with China; (b) regional ambivalence towards US President Donald J. Trump's commitment to the SCS; and (c) China's growing economic influence and military capabilities.

On paper, the Road could play an important development role in South East Asia by fixing the connectivity gaps that have hampered the narrowing of economic disparities and integration in the region. Nonetheless, complications remain in the SCS security space that interacts with the Road. Some of these are at the regional level, some are at the (sub)national level, while some relate to human security. To understand this dynamic, it is necessary to first understand South East Asian states' perceptions of and

<sup>61</sup> CSIS (note 36).

<sup>62</sup> CSIS (note 36).

<sup>63</sup> In 2016. see CSIS (note 36).

<sup>64</sup> ASEAN, *Investing in ASEAN, 2017* (ASEAN: Jakarta, 2017).

<sup>65</sup> Laporta, L. C., 'The Maritime Silk Road: China and the ASEAN', ESCI, 26 May 2015; and Edward, Ng, 'The rise of Chinese FDI into ASEAN', Nikko Asset Management, 5 Oct. 2017.

<sup>66</sup> Ernst and Young, China, 'China go abroad: Belt and Road, exploring a blueprint for steady growth in overseas investment', no. 7 (Apr. 2018).

<sup>67</sup> '中国正式加入东南亚友好合作条约, 与东盟互信加深' [China officially signs the Treaty of Amity and Cooperation with ASEAN, mutual trust deepened], *The People*, 8 Oct. 2003; and ASEAN, 'ASEAN-China Free Trade Area'.



levels of receptiveness to the Road. While these vary, they are influenced by several common factors: (a) historical and contemporary relations and popular and elite views of China; (b) the current state of each local economy and relations with neighbouring states; and (c) the political-economic aspirations of incumbent administrations. Arguably, the third of these has become the most dominant driver of the three.

Overall, there is considerable interest in the Road in South East Asian political and business circles, but this interest covers a wide spectrum that ranges from unbridled support to cautious enthusiasm to growing scepticism or outright distrust.<sup>68</sup> A simplified representation of this spectrum would depict Vietnamese voices as marked by distrust and scepticism, Singaporean parties as relatively positive and seasoned connectors and facilitators, with Cambodian and Laotian participants the most enthusiastic. Among other South East Asian states, Indonesia, Malaysia, Thailand and the Philippines have largely welcomed the initial waves of investment and projects, but are becoming increasingly wary and seeking to establish processes for safeguarding against any untoward impacts of foreign investments. Such balancing involves an adjustment of investment relationships to take local sentiments and sovereignty implications better into account. These states are to be found around the middle of the spectrum.<sup>69</sup> This spectrum is elaborated on in two clustered categories below.

### **Balancing economic development with sovereignty: Indonesia, Malaysia, Thailand and the Philippines**

Faced with a host of regional shifts brought on by the economic integration of the Road and parallel military developments, Indonesia, Malaysia, Thailand and the Philippines are attempting to balance closer economic integration with China with maintaining political and economic sovereignty.<sup>70</sup> Generally speaking, there is growing recognition of a national and regional infrastructure deficit, combined with expectations among local electorates of employment opportunities and economic growth. Understandably, for the states in which political futures are tied to these local sentiments, there is a desire for projects that can be implemented rapidly so that the benefits are garnered during a single term of office. Furthermore, infrastructure is both a prerequisite and a key target of these projects, as China's economic success story serves as a solid contemporary example of what can be achieved.

On the other hand, these countries have become increasingly aware of the risks and unintended consequences of economic and financial overdependence on China, and scenarios in which China could turn this overdependence into political and strategic leverage. Many have taken note of the strategic Hambantota port, which Sri Lanka formally handed over to China on a 99-year lease following its inability to pay its debts to Chinese firms.<sup>71</sup> The problem is that many states in the region are unable to fill the infrastructure gap independently, either financially or sometimes even technically. In addition, existing multilateral development mechanisms tend to be slow and overly conditional on meeting ambitious national infrastructure plans.<sup>72</sup>

For instance, Indonesia, South East Asia's largest economy, is trying to attract investors in a \$450 billion infrastructure drive to revive economic growth.<sup>73</sup> Indonesia's President, Joko Widodo, has an ambitious vision to turn Indonesia into a

<sup>68</sup> As gauged by the authors at the regional workshop in the Philippines in Nov. 2017 and after triangulation through desk research.

<sup>69</sup> Regional analysts, SIPRI-FES workshop, Manila, the Philippines, 13–14 Nov. 2017.

<sup>70</sup> Regional analysts, SIPRI-FES workshop, Manila, the Philippines, 13–14 Nov. 2017.

<sup>71</sup> Schultz, K., 'Sri Lanka, struggling with debt, hands a major port to China', *New York Times*, 12 Dec. 2017.

<sup>72</sup> Regional analysts, SIPRI-FES workshop, Manila, the Philippines, 13–14 Nov. 2017.

<sup>73</sup> Reuters, 'Indonesia, China consortium sign \$4.5 billion loan for rail project', 15 May 2017.

'global maritime fulcrum'.<sup>74</sup> This vision is an interconnection strategy that will link the Pacific with the IOR, with Indonesia at its heart.<sup>75</sup> Similarly, Thailand is pushing for the Eastern Economic Corridor (EEC), which aims to develop Thailand's eastern seaboard into a leading economic zone in ASEAN. Thailand approved the EEC development project in 2016 and agreed that it could be linked with China's BRI.<sup>76</sup> In turn, President Duterte of the Philippines is pushing a \$180 billion 'Build, Build, Build' infrastructure development scheme to address the country's critical infrastructure deficit, while Malaysia, which has fairly advanced infrastructure, is seeking to expand and improve it.<sup>77</sup>

Chinese financing and technical expertise are welcome in these states. In two cases, topography is a key driver. The Indonesian archipelago is spread over some 17 000 islands, some of which are over 5000 kilometres apart, while the Philippines is an archipelago of some 7600 islands. Thus, Widodo, like Duterte and the former Malaysian Prime Minister, Najib Razak, have demonstrated a strong interest in the Road.<sup>78</sup> In 2015–16 alone, President Widodo met with his Chinese counterpart on five occasions. Nonetheless, there are signs that this interest does not always lead to firm commitments or sustained engagement.

The new Malaysian Prime Minister, Mahathir Bin Mohamad, ran his election platform on a vow to take a tougher stance on Chinese investment and has continued much of this rhetoric. Indonesia is lingering over the assessment stage of terms of engagement with the Road, as the Indonesian Government reiterated just prior to the May 2017 Belt and Road Forum in Beijing.<sup>79</sup> This is noteworthy since the Road concept was first introduced in the Indonesian Parliament in the autumn of 2013. In part, this stems from a strategic mistrust of China, which is widely shared among scholars, politicians and segments of the Indonesian population. The Indonesian Government remains divided between those who see China favourably and those who do not. The latter group states that Indonesia should be careful not to give up its ties with long-term partners such as Japan, South Korea and the USA for China, as this would be unethical and strategically dangerous.<sup>80</sup> Japan, historically a committed infrastructure investor in ASEAN, trailed behind only the European Union and the USA in terms of FDI in 2016, although the gap with fourth-placed China is narrowing.<sup>81</sup>

Similarly, a number of analysts in the Philippines have expressed the view that the country should not burn any bridges with the West (including Japan), which still constitutes the country's biggest economic partner.<sup>82</sup> The Philippines faces a similar balancing act to Indonesia, between economic development and sovereignty. Like his Indonesian and former Malaysian counterparts, Duterte has prioritized economic development and integration with the Chinese economy over maritime and

<sup>74</sup> In 2014, Indonesia devised a Maritime Axis/Fulcrum doctrine that has 5 pillars: Maritime culture, resource, connectivity, diplomacy and a strategic bridge between two oceans. Marzuki, K. I., 'The meaning of Indonesia's Global Maritime Fulcrum', CSIS, 22 Feb. 2018.

<sup>75</sup> Ma, B., '一带一路与印尼全球海上支点的战略对接研究' [Study on synchronizing development plans of the 'Belt and Road Initiative' and Indonesia's 'Poros Maritim Dunia'], *Global Review*, vol.6 (2015).

<sup>76</sup> Government of Thailand, 'Thailand's EEC to be linked with China's One Belt, One Road initiative', Government Public Relations Department, 15 May 2017.

<sup>77</sup> The 'Build, Build, Build' scheme has 75 flagship projects, including six airports, nine railways, three bus rapid transits, 32 roads and bridges and four seaports. Heydarian, R. J., 'Duterte's ambitious "build, build, build" project to transform the Philippines could become his legacy', *Forbes*, 28 Feb. 2018; and Razak, N., 'Why Malaysia supports China's belt and road', *South China Morning Post*, updated 7 July 2017.

<sup>78</sup> Hookway, J. and Ngui, Y., 'Malaysia's Mahathir Mohamad is sworn in, signals tougher line on China', *Wall Street Journal*, 10 May 2018.

<sup>79</sup> Sundaryani, F. S., 'Indonesia plays it cool in competition for China's OBOR money', *Jakarta Globe*, 12 May 2017.

<sup>80</sup> Hadrianto, I., 'China's Belt and Road Initiative: Indonesian response', *Jakarta Globe*, 17 May 2017.

<sup>81</sup> ASEAN, *ASEAN Statistical Yearbook, 2016/2017* (ASEAN Secretariat: Jakarta, Dec. 2017).

<sup>82</sup> Blanchard, B., 'Duterte aligns Philippines with China, says US has lost', *Reuters*, 20 Oct. 2016; and Philippine's National Economic and Development Authority, 'Statement of the Philippine Economic Team on Regional Economic Re-balancing for Closer Integration in Asia', 20 Oct. 2016.

jurisdictional disputes with China, and is keen to receive Road investment.<sup>83</sup> While the Philippines is geographically separated from the Eurasian landmass that constitutes the 'core region' of the BRI, the Road dovetails with the Duterte Administration's infrastructure build-up plan. However, much in common with the position in many other South East Asian states, the Duterte Administration has no articulated strategy on how to engage with China, much less with the Road specifically. There are elements of a strategy to mitigate economic vulnerability, but there has been no consistency to date. This stems partly from the fact that neither all politicians nor the defence establishment are in agreement with Duterte's close engagement with China, and partly from the tribunal-related tensions between China and the Philippines that persisted throughout 2017.

All the while, Chinese BRI investments have been flooding into the region and trade is booming. Despite misgivings about the Road in Viet Nam, China even became Viet Nam's largest trading partner in 2016, conducting bilateral trade to a value of \$98 billion.<sup>84</sup> In Indonesia, Chinese FDI hit a record \$3.36 billion in 2017, and a financing agreement on the Jakarta-Bandung high-speed railway project valued at \$4.5 billion was signed in 2017.<sup>85</sup> This project improves domestic connectivity, while other projects in the region facilitate regional and interstate connectivity. The most notable project in this regard, and the largest BRI project to date, is the East Coast Rail Link in Malaysia, valued at \$12.8 billion—the largest commercial deal ever signed between China and Malaysia.<sup>86</sup> Malaysia, much like Singapore, has a comparatively well-developed infrastructure network but financing deficits drive it to seek foreign funding. It is anticipated that the rail line will drive connectivity and economic growth on Malaysia's underdeveloped east coast and act as a land bridge to enable the cost- and time-efficient transportation of goods between Africa, the Middle East and Asia. For China, the 688-km link will connect the SCS at the Thai border in the east with the strategic shipping routes of the Strait of Malacca in the west, bolstering China's and the regional blue economy.<sup>87</sup>

Another potentially significant development and connectivity endeavour is the proposed Kra Canal Project, which would cross southern Thailand. The idea has existed for some 200 years, and is quite similar to the concept of the Suez and Panama canals, but it has never materialized due to the technical difficulties and Thailand's domestic security concerns. Some academics in China and Thailand see the BRI as an opportunity to promote the project.<sup>88</sup> This project could cost up to \$20 billion, but would reduce shipping times between the SCS and the Andaman Sea/Indian Ocean by at least 48 hours. It is also expected to ease traffic in the Malacca Strait and create more jobs along the canal.<sup>89</sup> However, the Thai Government has concerns that it might separate Thailand's south and breed Muslim-Malay separatism. As a result, the project

<sup>83</sup> Workshop in the Philippines and authors' interviews with local analysts in Manila, Nov. 2017.

<sup>84</sup> '中国越南双边贸易额冲击千亿美元' [China-Viet Nam bilateral trade likely to reach \$100 billion], Xinhua, 12 May 2017.

<sup>85</sup> '推动中印尼经贸合作更上层楼' [Promote China-Indonesia economic cooperation], China State Council, 8 May 2018. Also note that the financing of the construction of Indonesia's first high-speed railway between these two cities was completed in May 2017. It involves a Chinese-Indonesian consortium. The loan is \$4.5 billion and was largely provided by the China Development Bank. In addition, in 2017 an action plan for the implementation of a comprehensive strategic partnership for 2017–22 was signed and a location study on infrastructure development was agreed on.

<sup>86</sup> '马来西亚东海岸铁路工程开工, 中国交建全面部署' [China Communications Construction Company starts Malaysia East Coast Railway Project], China News, 9 Aug. 2017.

<sup>87</sup> The project would be financed by an 85 per cent loan from the China Exim Bank; and the balance through an Islamic bond programme managed by local investment banks. The project is being built by China Communications Construction Co.

<sup>88</sup> Shira, D. et al., 'Kra Canal project revisited as part of China's Maritime Silk Road', ASEAN Briefing, 11 Sep. 2017; and Billington, M., 'A hub for the Maritime Silk Road', *Executive Intelligence Review*, vol. 44, no. 4, 27 Jan. 2017.

<sup>89</sup> Billington (note 88), pp. 1–9.

has stalled, thus demonstrating how logistical and economic considerations are still often beholden to broader security concerns, when it comes to critical infrastructure, and unintended local impacts.

### **The two ends and the outlier: Viet Nam, Laos, Cambodia and Singapore**

Of all the South East Asian states, Viet Nam remains the most sceptical about the Road. That said, the political elite is rarely very vocal about its misgivings and has largely given diplomatic support to the BRI, as demonstrated by Viet Nam's membership of the Asian Infrastructure Investment Bank (AIIB). In addition, its scepticism is only partially related to the Road itself. The fundamental conflict of interest between Viet Nam and China, besides historical grievances and long-standing strategic mistrust on the part of Viet Nam, is China's increasing assertiveness in exerting its claims to and control over the SCS, including for resource exploitation of hydrocarbon resources and fisheries that are in Viet Nam's exclusive economic zone (EEZ).<sup>90</sup> Chinese island building and overfishing have been criticized for their negative impacts on the marine ecological system and habitats of the SCS.<sup>91</sup>

Viet Nam intends to apply strict investment standards and regulations to the BRI, in addition to aiming for greater economic self-reliance.<sup>92</sup> Another factor that explains this scepticism is the poor track-record of Chinese investment in Viet Nam, in pre-BRI infrastructure and industrial projects. Even in initiatives that are not directly billed as Road projects, such as the Chinese-built Hanoi Subway, a number of mistakes and accidents have negatively affected the Vietnamese perception of China's management of overseas infrastructure projects, even though both sides bear some degree of responsibility.<sup>93</sup> By contrast, the Japanese-built metro in Ho Chi Minh City has been received with much more enthusiasm. This also indicates that, as with the above-mentioned case of the Philippines, where 20 Japanese companies have signed deals worth \$6 billion on everything from metro systems to shipbuilding, local businesses are seeking to diversify beyond China.<sup>94</sup>

Viet Nam's approach varies a great deal from the Laotian and Cambodian approaches to the Road and the BRI as a whole. Landlocked Laos depends heavily on Chinese investment and trade to boost its struggling economy. Its location between China, Viet Nam and Thailand makes it a key transit point for the BRI. Laos intends to tap into this geographic centrality, even if this means heavy indebtedness to China.<sup>95</sup> Cambodia also sees the BRI as a benefit to the country, especially as it relates to meeting its infrastructure needs and to diversifying its own economic and political partnerships, given strained relations with the USA.<sup>96</sup> Understandably, Cambodia's priorities, after the turbulence that has characterized much of its recent history, are economic growth, jobs and poverty alleviation. Indicative of this is the Cambodian

<sup>90</sup> In 2014, the commercial exploration operations conducted by China at HYSY 918, which is an area Viet Nam has also claimed, led to anti-China protests and riots. The month-long oilrig crisis that followed was managed by China's withdrawal. More recently, in 2017 Viet Nam announced plans to start exploration of block 118, which partly overlaps with China's nine-dash line, and block 136, which is located on the disputed Vanguard Bank.

<sup>91</sup> Viet Nam and China have established three hotlines as part of a crisis management effort: one between their fisheries administrations, one between their foreign ministries and one between their defence ministries, see Vu Thanh Ca, 'A regional framework for integrated management of South China Sea resources', *Maritime Issues*, 14 Nov. 2016; and Greer, A., 'The South China Sea is really a fishery dispute', *The Diplomat*, 20 July 2016.

<sup>92</sup> 'Những thách thức trong Quan hệ Kinh tế Việt Trung' [Challenges in Sino-Vietnamese economic relations], *Nguyentandung*, 18 May 2017.

<sup>93</sup> Tatarski, M., 'Vietnam's tale of two metros: one built by the Japanese and the other by the Chinese', *SCMP*, 30 July 2017.

<sup>94</sup> Ranada, P., '20 Japanese companies to invest in PH after Duterte visit', *The Rappler*, 31 Oct. 2017.

<sup>95</sup> Kishimoto, M., 'Laos merely a bystander as China pushes Belt and Road ambitions', *Nikkei Asian Review*, 6 Oct. 2017.

<sup>96</sup> Prak Chan Thul, 'Cambodian PM leaves for China to seek more aid', *Reuters*, 29 Nov. 2017.

Tourism Ministry's 2016 policy of encouraging the use of the Chinese Renminbi to attract Chinese tourists.<sup>97</sup> Despite these trends, Cambodia does not have its arms wide open. For instance, it is yet to apply for an AIIB loan, because of its belief that it can get better terms elsewhere.<sup>98</sup>

As noted above, the outlier among the South East Asian states is well-networked Singapore. Singapore can capitalize on its position as a financial and legal hub, as well as its world class port, which is a critical transshipment point. Singapore acts as a Road mediator and facilitator between China and participating states by providing banking and legal support for projects. Indeed, 33 per cent of all outward investments related to the BRI flow through Singapore, while 85 per cent of inbound investments for the initiative make their way into China through Singapore.<sup>99</sup> Given its proximity, financial resources, and cultural and linguistic ties to China, Singapore seems likely to retain this role in the long-term.

### ASEAN's dilemmas

In the Chinese context, ASEAN has three critical security concerns: (a) the disputes in the SCS between China and four of its members; (b) the prosperity and stability of its members; and (c) ASEAN cohesion, effectiveness and credibility. The Road magnifies and interacts with each of these concerns. While ASEAN is interested in closer economic engagement with China through the Road, the majority of its members still have some misgivings about China's growing economic power and naval expansion in the SCS. Given its structure and scope, the Road allows China to engage more deeply with South East Asian security affairs and even ASEAN cohesion.<sup>100</sup> South East Asian analysts remain largely split over whether the Road erodes ASEAN cohesion and effectiveness through Chinese bilateral engagement with individual member states or might improve it over time. As ASEAN intra-regional physical connectivity improves, the flow of goods and people should increase and economic disparities reduce.<sup>101</sup>

True, the Road may also contribute to ASEAN member states' prosperity and the development of their blue economy, but its impact on inclusive prosperity and stability remains open to question. Like the Belt, Chinese Road investments interact with local security dynamics and their benefits and sustainability very much depend on local business ecosystems, economic governance capacity and the distribution of the spoils.<sup>102</sup> ASEAN has Belt-related concerns beyond the region too. The Road traverses and has ambitions in all the key transit routes of importance to ASEAN: the Mediterranean Sea, the IOR, the SCS and the East China Sea. ASEAN is a key actor in an important trifold geopolitical game in the SCS between China and the USA, China and a number of ASEAN claimants, and China and itself.

ASEAN must continuously balance its relationships with China and the USA so that it does not get caught up in the geopolitical rivalry between the two powers and can maintain both its strategic autonomy and its 'centrality'. ASEAN is also an important EU trading partner and its ties to India are certain to increase as economies continue to grow. In the meantime, China has stressed that Asian security affairs should be left to Asians to resolve and to manage. This aspiration leaves ASEAN in limbo, while intra-ASEAN disunity increases the difficulties. Cambodia, for instance, has stated that US engagement in the region should be seen as having had a negative impact

<sup>97</sup> Yu Xiaoming, 'Cambodian tourism sector to accept Chinese currency yuan', *China Daily*, 28 July 2016.

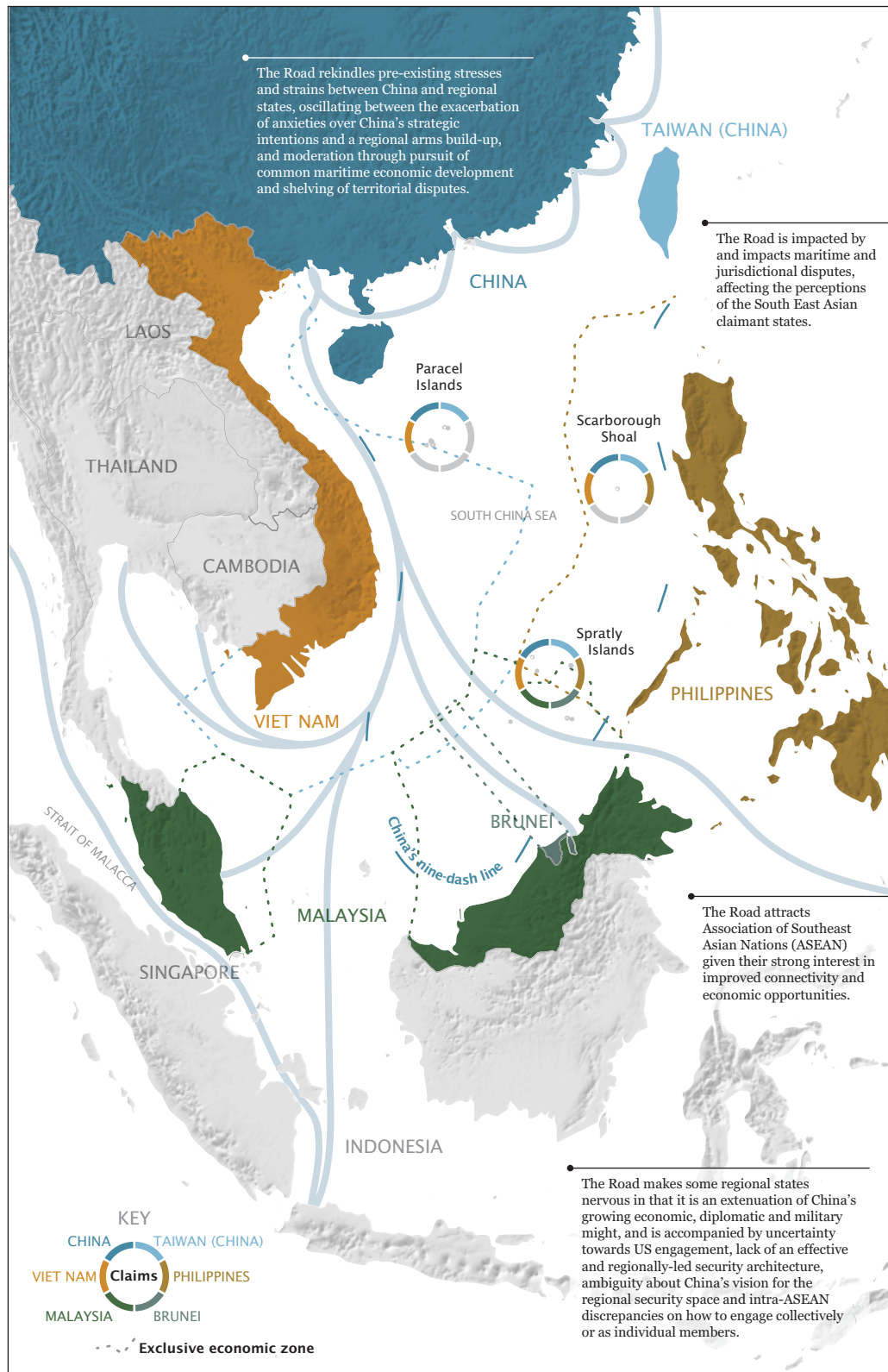
<sup>98</sup> Chan, Sok, 'Cambodia holds back on AIIB loans', *Khmer Times*, 17 May 2017.

<sup>99</sup> Fernandez, W., 'Singapore can play key role in China-led Belt and Road Initiative: Chan Chun Sing', 24 Jan. 2018.

<sup>100</sup> Analysts, SIPRI-FES workshop, Manila, the Philippines, 13–14 Nov. 2017.

<sup>101</sup> Analysts, SIPRI-FES workshop, Manila, the Philippines, 13–14 Nov. 2017.

<sup>102</sup> Ghiasy and Zhou (note 2).



**Figure 2.1.** Map of the South China Sea illustrating Maritime Silk Road security implications

*Note:* Dotted lines indicate an exclusive economic zone (EEZ), the blue line represents the Road.

*Credit:* Map by Christian Dietrich.

*Sources:* Data compiled by the authors from various sources.

on ASEAN unity, and has refrained from criticizing China regarding SCS territorial disputes.<sup>103</sup> This contradicts the stance of countries such as Viet Nam, which still harbour concerns over China's approach to regional territorial disputes and military deployments. Such discrepancies adversely affect ASEAN decision-making, given that all decisions must be reached by consensus and often involve numerous meetings and lengthy timelines.

These differences among ASEAN members make a unified response to the Road, or the SCS for that matter, highly unlikely. It should be noted, however, that the perceived threat from China predated the Road. Nonetheless, the Road is intensifying Chinese penetration of and influence in the region. Even Chinese participation in workshops on the Road belies this interconnectedness, given that China tends to send experts on the SCS who provide a coordinated and well-rehearsed dictum on China's maritime and territorial interests. In response, ASEAN should ideally improve individual member and collective economic resilience. One avenue would be the Master Plan on ASEAN Connectivity, 2025 (MPAC 2025), which was introduced in 2016 with a heavy focus on the development of sustainable infrastructure and improving member states' inclusiveness and competitiveness. MPAC 2025 will need at least \$110 billion in infrastructure investment each year to support future growth.<sup>104</sup> Perhaps paradoxically, it is the Road that has the potential to both improve and diminish such resilience by linking up with MPAC 2025. The strengthened resilience would come from enhanced capacity, while any diminution would be likely to stem from increased dependence on China.

### **The South China Sea: The legacy of unsettled disputes**

There are a number of unsettled disputes in the SCS between China and South East Asian states, and among the South East Asian states, that spill over into the Road (see figure 2.1). The Road highlights—and in some cases rekindles or even exacerbates—preexisting issues but also provides an impetus to mitigate or shelve such issues and focus on common economic development. The preexisting issues consist of maritime and jurisdictional disputes, a regional arms build-up and contested natural resources. Before analysing how the Road interacts with these issues it is necessary to examine them in greater detail.

First, the most pertinent issue is the complex maritime and jurisdictional disputes in the SCS between China, on the one hand, and the ASEAN claimants, Malaysia, the Philippines, Viet Nam and Brunei, on the other. China's nine-dash line claims nearly 80 per cent of the SCS, and overlaps and conflicts with regional maritime claims and EEZs.<sup>105</sup> China's claim also conflicts with the UNCLOS framework for maritime zones and was invalidated by the International Court of Arbitration in The Hague in 2016, after the Philippines took a case on the

<sup>103</sup> While Cambodia was chair of ASEAN in 2012, it tried to block any mention of the South China Sea disputes in the summit agreement and a joint communiqué failed to be issued for the first time in ASEAN history. In 2015, during a meeting with 28 countries, Cambodia expressed a wish that ASEAN non-claimant states should not involve themselves in South China Sea issues, see 'ASEAN nations fail to reach agreement on South China Sea', BBC, 13 July 2012. Cambodia claimed that the South China Sea was not an issue for ASEAN and China, and that continuing pressure from non-claimant states might divide ASEAN, see Prak Chan Thul, 'Cambodia says ASEAN should stay out of South China Sea fracas', Reuters, 7 May. 2015; and Cheunboran Chanborey, 'The South China Sea and ASEAN unity: A Cambodian perspective', CISS, 5 Sep. 2016.

<sup>104</sup> ASEAN, 'ASEAN leaders adopt Master Plan on Connectivity, 2025', 6 Sep. 2016.

<sup>105</sup> The exclusive economic zone (EEZ), as set out in UNCLOS III, which entered into force in 1994, designates that for 200 nautical miles (approximately 370 km) from the baseline (the low water line coast), a coastal country has the sole right to exploit resources such as fish, as well as any mineral and oil reserves. Foreign states have freedom of navigation and overflight, but are subject to the regulation of the coastal state. All coastal states have an area of territorial sea 12 nautical miles (approximately 22 km) from the coastline over which they have full sovereignty. A country can exclude foreign entities from its territorial sea.

exploitation of maritime resources against China.<sup>106</sup> China has refused further international mediation, while Viet Nam and the Philippines have attempted to internationalize the issue. The most significant of the disputed island groups are: (a) the Paracel Islands, which are contested by China and Viet Nam; (b) the Spratly Islands, which are contested by China, Malaysia, the Philippines and Viet Nam; and (c) the Scarborough Shoal, which is contested by China and the Philippines. Of these, the Spratly Islands are the most strategic as they are located along the SCS international shipping lanes.

Second, the failure of China and South East Asian claimants to diplomatically resolve their complex maritime and jurisdictional disputes has engendered strategic distrust and an arms build-up in the region. There are lingering, and at times increasing, tensions without any direct military threat. Viet Nam, for instance, has increased its military expenditure by 127 per cent from \$2.2 billion in 2006 to \$5 billion in 2017.<sup>107</sup> In 2017, it was the world's 11th largest recipient of major weapons.<sup>108</sup> To increase its leverage in territorial disputes with China, Viet Nam has even been deepening its security ties with the USA, Japan and India. There have also been near constant military expenditure increases in Singapore, the Philippines and Thailand since 2013.<sup>109</sup> Meanwhile, China has been establishing and legitimizing a greater presence in the SCS. It has been swiftly and vastly ramping up its military presence there by increasing the activities of the Chinese navy, as well as coastguard and fisheries protection vessels. It is also accelerating land reclamation and construction on disputed features, such as deserted islands, semi- or fully-submerged maritime atolls and rocks. These developments have added to the anxiety of other claimants and regional stakeholders with regard to freedom of navigation. In response, the USA, itself a significant economic and security stakeholder in the SCS and South East Asia, has conducted regular freedom of navigation operations and bolstered support for its partners in South East Asia.

Third, the SCS is reportedly resource rich: its seabed is believed to contain an estimated 11 billion barrels of oil and 190 trillion cubic metres of natural gas while, as a biodiversity-rich subtropical sea, it contains at least 3365 species of marine fish.<sup>110</sup> Drilling for oil and gas in the disputed areas has been largely discouraged by political tensions and, in some cases, even physically deterred by both China and Viet Nam.<sup>111</sup> The SCS's rich fishing grounds, although diminishing rapidly, drive local economies and supply the region with many jobs.<sup>112</sup> In fact, some 12 per cent of the global fish catch takes place in the SCS.<sup>113</sup> For this reason, regional countries started to stake claims as early as the late 1960s. Access to these resources drives some of the current stresses and strains. China's 2012–16 blockade of Filipino fishermen at the Scarborough Shoal and Viet Nam's halting of a gas-drilling expedition after pressure from China in 2017 are just two recent examples of flare-ups. To China, these fishing grounds mostly serve its food security objectives and to expand its blue economy. For the other claimants, access is often a matter of sheer economic necessity.

How does the Road interact with these preexisting stresses and strains? With

<sup>106</sup> China does not recognize the Tribunal's jurisdiction and claims that the dispute is about sovereignty rather than the exploitation of resources.

<sup>107</sup> Zachary, A. and Nguyen, A., 'Vietnam's military modernization', *The Diplomat*, 28 Oct. 2016.

<sup>108</sup> It was the 43rd in 2011. Wezeman, P., Fleurant, A., Kuimova, A., Tian N. and Wezeman, S., 'Trends in international arms transfers, 2017', SIPRI Fact sheet, Mar. 2018. The Netherlands, Canada and Spain have all received weapon orders from Viet Nam.

<sup>109</sup> SIPRI Military Expenditure database, SIPRI, accessed 25 Apr. 2018.

<sup>110</sup> 'Territorial Disputes in the South China Sea', Council on Foreign Relations, accessed 24 Apr. 2018.

<sup>111</sup> Green, M., Hicks, K., Cooper, Z., Schaus, J. and Douglas, J., 'Counter-coercion series: China-Vietnam oil rig standoff', CSIS, 12 June 2017.

<sup>112</sup> Fridtjof Nansens Institute, 'Fish, not oil, at the heart of the South China Sea conflict', 24 Oct. 2017.

<sup>113</sup> Fridtjof Nansens Institute (note 112).



regard to the complex maritime and jurisdictional disputes between China and the South East Asian states, for now, the Road may have helped to decrease tensions. This is not solely to the credit of the Road, but is largely the product of China's strategic approach to the region, in which the Road is a key instrument. China is pursuing a long-term approach to realizing its claims in the SCS. To do so, for many years it has opted for an accumulation of a number of what were previously characterized as 'small scale' or 'grey zone' military, paramilitary, diplomatic and economic actions that over time have had great strategic consequences.<sup>114</sup> More recent activities, such as the permanent stationing of Chinese military personnel on Woody Island, the deployment of J-11 fighters, HQ-9 surface-to-air missiles and YJ-62 anti-ship cruise missiles, as well as the recent landing of an H-6K strategic bomber, indicate that this incremental approach is giving way to more provocative and grandiose actions.<sup>115</sup> That these are met with US responses, as with the decision to revoke an invitation to the PLAN to participate in the 2018 Rim of the Pacific exercises, indicates that this dynamic is set to change.<sup>116</sup>

Nonetheless, while regional states are increasingly beset by US-Chinese tensions, they are also buffeted by their increased economic dependence on the Road and the concomitant leverage this gives China over their SCS claims. Consequently, China is managing to alter the status quo on the ground in its favour and essentially refusing to participate in any multilateral tribunals or negotiations. Such concerns have been raised by both regional and extra-regional analysts, most notably from a number of European countries, the USA, Japan and Australia.<sup>117</sup> Furthermore, China and ASEAN have been attempting to negotiate a framework on a code of conduct on the SCS. The failure to outline as an initial objective the need to make the code legally binding raised doubts among stakeholders about its effectiveness, but an agreement has emerged on the framework and to start discussing the detail in 2018.<sup>118</sup>

In the light of this economic vulnerability, both in trade and as it relates to investment in strategic sectors, China has received more negative scrutiny and become increasingly unpopular among local populations, most notably in Indonesia, Thailand, Viet Nam and the Philippines.<sup>119</sup> Much like it did in Malaysia, it may even become an election issue for Indonesia's elections.<sup>120</sup> In a microcosm of this phenomenon, the Chinese banned the import of bananas from the Philippines in 2012–17 and imposed travel restrictions on its nationals to the Philippines following a dispute between the two countries over the resource-rich Scarborough Shoal. Since that time, there have been further measures, such as the announcement by China's Ministry of Agriculture of a unilateral fishing ban from 1 May until 16 August 2018, covering the Gulf of Tonkin, the Paracel Islands, the Spratly Islands and the Scarborough Shoal.<sup>121</sup> Such actions, even if limited in duration, can have a crippling impact on local industries. As regional economic dependence on the Road grows, with critical infrastructure that could be leveraged in a conflict or trade that could be severed when tensions arise,

<sup>114</sup> Chellaney, B., 'Beijing quietly presses ahead with its expansionist agenda in the South China Sea', *The National*, 25 Mar. 2018.

<sup>115</sup> Panda, A., 'South China Sea: What China's first strategic bomber landing on Woody Island means', *The Diplomat*, 22 May 2018.

<sup>116</sup> Eckstein, M., 'China disinvented from participating in 2018 RIMPAC exercise', *US Naval Institute News*, 23 May 2018.

<sup>117</sup> Center for Strategic International Studies, 'How will the Belt and Road Initiative advance China's interests?', *China Power*, 8 May, 2017, updated 11 Sep. 2017, accessed 25 Apr. 2018; and Brown, S. A. W., *Power, Perception and Foreign Policymaking: US and EU Responses to the Rise of China* (Routledge: London, 2017).

<sup>118</sup> The 2002 ASEAN-China Declaration on the Conduct of Parties in the South China Sea has not yet been fully implemented.

<sup>119</sup> 'Vietnam police halt anti-China protest over islands', *Reuters*, 19 Jan. 2017; and Arunmas, P., 'Protest over Chinese trademarking Thai durian's name', *Bangkok Post*, 27 Mar. 2018.

<sup>120</sup> Hutton, J., 'A Catch-22 from China that could derail Indonesia's Widodo' *South China Morning Post*, 12 May 2018.

<sup>121</sup> Viet Hung, 'Beijing imposes fishing ban on South China Sea, Hanoi protests', *AsiaNews.it*, 4 April 2018.

countries in the region will be in even greater need of diversification and other options than before.

Furthermore, the Road may indirectly be contributing to the arms build-up in the region. There is a concern among regional states that China could eventually use the Road as a prelude to military penetration of the region, emboldening its stance on the nine-dash line, and that this development could eventually assist China's ambition to reduce the security role of the USA, which has a formidable array of military assets deployed by the US Pacific Command (now US Indo-Pacific Command) across the entire region.<sup>122</sup> In a sense, it is only logical that China feels compelled to become a security provider to secure Road assets and its citizens in the region. However, in the absence of an effective regional security architecture, and in the light of regional doubts as to US President Trump's commitment to the region and the SCS disputes, the region remains anxious.<sup>123</sup> This anxiety feeds the strategic mistrust that prevails among many of the South East Asian states and has resulted in hedging and rebalancing strategies. For example, Viet Nam is aiming to improve its Navy and Air Force, as well as the law enforcement capabilities of its coastguard and fisheries surveillance force, while Malaysia is building a naval base on Bintulu near James Shoal.<sup>124</sup>

As a prominent Indonesian analyst noted at the SIPRI–FES workshop in Manila in November 2017, 'if the SCS was seen as a litmus test for China as a great power, it has not managed to pass it'.<sup>125</sup> It could also be argued, however, from China's vantage point, that this ability to leverage economic and military power to its advantage is exactly the mark of a great power. Regardless of which vantage point, the ongoing arms build-up has increased the risk of a military incident in the SCS security space that could involve a serious miscalculation, such as shots fired at a military aircraft or the sinking of a warship. At the same time, the connectivity and interdependence that the Road facilitates may serve as an impetus for China and the region to focus on common connectivity and development to mitigate such risks and their potential fallout.

## 2.2. Security Implications for the Indian Ocean Region

In discussing Road-related security implications for the IOR, the focus of this section is on the way in which the Road interacts with the region's complex security space dynamics. The Indian Ocean is the world's third largest ocean and covers some 20 per cent of the global water surface. It is of critical economic and security interest to regional and extra-regional stakeholders. Among the latter, the foremost are the EU, China, Japan and the USA. The ocean's geopolitical significance runs across four main dimensions, but is primarily economic in nature.

First, it is a key trade and energy conduit as it lies in the middle of the economic engines and key commercial ports of the North Atlantic and the Asia-Pacific. International sea lanes criss-cross the IOR's northern stretches and its stakeholders are manifold. The eastern IOR connects ASEAN with the economies of South Asia, the Middle East, Africa and Europe. Central IOR–South Asia trade through the IOR is both west and east bound: west to the economies of the Middle East, Africa and Europe, and east to ASEAN and the economies of the Asia-Pacific. In the western IOR, the Arab Gulf states and Iran drive much of the world's petroleum production and

<sup>122</sup> 'In Indonesia, caution urged with China's New "Silk Road" Plans', *Jakarta Globe*, 31 May 2015; and 'Tread carefully on China's Belt and Road initiative: experts', *Vietnamnet*, 7 Oct. 2017.

<sup>123</sup> Hernandez, J. C., 'Trump's mixed signals on South China Sea worry Asian allies', *New York Times*, 10 May 2017.

<sup>124</sup> The Vietnamese maritime strategy for 2011–20, as issued by the ruling Communist Party, focuses on the protection of maritime sovereignty and the economy, see Murray, H. and Phuong, N., 'Vietnam ramps up defense spending, but its challenges remain', *Center for Strategic International Studies*, 18 Mar. 2015.

<sup>125</sup> Indonesian analyst, SIPRI–FES workshop, Manila, the Philippines, 13–14 Nov. 2017.

exports, and over 39 per cent of the global maritime oil trade traversed the Bab el-Mandeb, Strait of Hormuz and Strait of Malacca pathways in and out of the eastern and western Indian Ocean in 2017.<sup>126</sup>

Second, the region is a market of some 2 billion people, most of whom are part of a vast network of 32 littoral states and growing markets. It is home to the emerging markets of three highly populous South Asian states: India, Pakistan and Bangladesh. India, the region's geopolitical keystone, is predicted to be the second largest economy in the world, behind China, in purchasing power parity terms by 2050. It is also anticipated that Chinese investment through the Belt's China-Pakistan Economic Corridor (CPEC) will help to unfreeze the Pakistani market.<sup>127</sup> In the eastern IOR, ASEAN is currently the world's seventh largest economic bloc. The western IOR is home to the emerging markets of East Africa. The potential of these emerging markets for the global business community is immense.

Third, the Indian Ocean potentially provides strategic overland pathways to the markets and resources of the vast Eurasian hinterland—the northern stretches of South Asia, Central Asia and South West and Western China, as well as the regions west of the Caspian Sea. Currently, there are very few overland pathways between the Eurasian hinterland and the Indian Ocean, which impedes connectivity and trade. In connectivity terms, even if nominally part of Eurasia, South Asia is more of an offshore archipelago with few connections to the mainland, or even intra-regionally. India's seaborne trade with Myanmar and Bangladesh mostly runs through Singapore, even though direct cargo shipping services between India and Myanmar, and Myanmar and India only began in 2014 and 2016 respectively. Asian intraregional connectivity in general is limited and connectivity in the IOR littoral states is no exception. While, in theory, the Arctic Ocean permits overland pathways to the Eurasian hinterland as well, its icy waters, despite global warming, are still hard to navigate most of the year and the route is only just starting to develop.

Fourth, the Indian Ocean is rich in natural resources, which include rare earth minerals on and below the seabed and offshore fossil fuels. Some 40 per cent of the world's offshore oil production took place in the Indian Ocean basin in 2016. In the same year, it also accounted for almost 15 per cent of the world's fish catch.<sup>128</sup>

While these aspects are primarily economic, the need to keep international shipping lanes and resources secure, and shield them from existing and emerging geopolitical threats increasingly melds economic with security spaces along and beyond the IOR rim. The main driver of this dynamic is a blend of the perceived and actual geopolitical threats linked to the increasing Chinese presence in the region. The growing Chinese footprint in the IOR is making China's traditional rivals, most notably the USA, India, Japan and, to a smaller degree, Australia, as well as a number of EU member states uneasy. France in particular has a keen interest in security developments in the IOR as 24 per cent of its EEZ is in the region. France has the second largest EEZ (11 million km<sup>2</sup>) in the world after the USA.<sup>129</sup> The UK has also begun to reconsider its role in the IOR and the Pacific.

<sup>126</sup> US Energy Information Administration, 'World oil transit chokepoints' Nov. 2014.

<sup>127</sup> The World in 2050, 'The long view: How will the global economic order change by 2050?', PricewaterhouseCoopers, Feb. 2017.

<sup>128</sup> Jaishankar, D., 'Indian Ocean region: A pivot for India's growth' Brookings, 12 Sep. 2016.

<sup>129</sup> France Ministry of Defence, *France and Security in the Indo-Pacific*, (Publications Office: Paris, June 2016). For insights on French thinking on the role of China in the IOR see Scott, D., 'French maritime strategic thought on the Indo-Pacific', Center for International Maritime Security, 31 Mar. 2017.

### Chinese interests in the Indian Ocean Region

Chinese interests in the IOR are motivated by geopolitical, economic and security interests.<sup>130</sup> This is primarily to safeguard its SLOCs, which flow from Europe, East and North Africa, the Middle East, South Asia and the western sphere of South East Asia, as well as its maritime-terrestrial supply chains. China has made it a priority to take maritime security matters in the IOR into its own hands, instead of relying on the USA and its allies, which have long served as a significant guarantor of maritime security in the region.<sup>131</sup> Around 83 per cent of China's oil imports transit the Indian Ocean's South East Asian straits and the region increasingly accommodates emerging Belt and Road pathways and assets, including those which contribute to China's food security.<sup>132</sup> Furthermore, the Indian Ocean connects the eight busiest ports (seven of which are Chinese and eight of which lie in the Pacific) with the EU's busiest ports in and around the Atlantic: Rotterdam in the Netherlands, Antwerp in Belgium and Hamburg in Germany.<sup>133</sup> The IOR itself has one of the 10 busiest container ports in the world: Dubai. Tapping and co-shaping the IOR market, which consists of 2 billion people, offers China vast traditional and blue economy benefits. These include the prospect of connecting Belt endeavours throughout the Eurasian hinterlands with this blue economy.

Nonetheless, the IOR is also a diverse and largely disaggregated region that faces some of the world's most serious traditional and non-traditional security challenges, such as the severe geopolitical rivalries between India and Pakistan, China and Pakistan vis-à-vis India, and the USA, Israel and Saudi Arabia vis-à-vis Iran. In addition, there are ongoing armed conflicts in the Middle East, as well as widespread sectarian conflict, and the region is home to three of the world's most fragile states in Somalia, Yemen and Iraq—even if the latter is somewhat further afield.<sup>134</sup> Moreover, there are non-traditional and transnational security risks to free passage through and around maritime choke points, most notably piracy, terrorism, drug trafficking, transnational organized crime and environmental degradation, as well as natural and human-induced disasters, given that the region is on the frontline of the battle against climate change. Such challenges have led to a demand for security goods provisioning in the region and present opportunities for multilateral security cooperation.

While the Belt is creating valuable terrestrial 'lifelines' for energy and goods across Eurasia to China, these cannot compete with the volume-price ratio of seaborne trade, and also run through volatile regions and states. Therefore, ensuring maritime security in the IOR is one of China's fundamental interests. To China, being a maritime power solely within the SCS and not in the Indian Ocean would be illogical as the risks to its supply chains would only be half-resolved. The broader risk mitigation strategies that emanate from Beijing and have been expanding and deepening under China's President Xi demonstrate a recognition of this reality. Besides the structural safeguarding of supply chains, China wishes to insure itself against possible temporary diplomatic containment and the military interdiction of its SLOCs by the USA and its allies in the Indian Ocean. To this end, Chinese strategists argue that a permanent military presence in the IOR is required to project its maritime power. Such a presence would include docking rights and operational rights at ports, and ideally the actual multi-year leasing of ports and the establishment of foreign bases. Foreign ports and

<sup>130</sup> Mohan, G., 'Engaging with the Indian Ocean: Opportunities and challenges for Germany', Global Public Policy Institute, 2 Nov. 2017.

<sup>131</sup> Ghiasy and Zhou (note 2), pp. 9–10.

<sup>132</sup> Office of the US Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China* (US Department of Defense: Washington, DC, 2016).

<sup>133</sup> 'Top 50 world container ports', World Shipping Council, accessed 11 May 2018.

<sup>134</sup> According to data from the 'Fragile States Index, 2018', the Fund for Peace, accessed 11 May 2018.

military bases in the IOR, as opposed to ports on Chinese territory, would enable faster regional deployment for both the PLA and PLAN, as well as refuelling.

Importantly, this would circumvent the need for the PLAN to navigate from the Chinese mainland through the SCS, which is rife with US and allied navies that are superior in capability, and then to bypass South East Asian choke points before reaching the IOR. At the same time, it would allow the PLAN two-way entry through these choke points, from both the SCS and the Indian Ocean. Similarly, a permanent presence in the IOR would permit the PLAN to navigate the western IOR and have a better presence in and around the Suez Canal, Bab-el-Mandeb (the Gulf of Aden) and the Strait of Hormuz (Persian Gulf-Gulf of Oman) choke points, thereby reducing the risks that US naval interdiction might bring forth. It is important to note, however, that these choke points are rarely blocked, suggesting that much of this planning is anticipatory, rather than a necessary reaction to trends in the region.

To this end, China has leased ports in Kyaukpyu in Myanmar, Hambantota in Sri Lanka, Feydhoo Finolhu in the Maldives, Gwadar in Pakistan and Obock in Djibouti. On paper, these ports are capable of vastly improving PLAN mobility and refuelling, and permit it to project military power and deploy forces all the way from the eastern borders to the western and mid-southern borders of the IOR. It is important to note, however, that currently all these ports, with the exception of Djibouti, are billed as solely for commercial uses. Even Gwadar's lengthy genesis, while discussed externally in terms of its military utility, has been officially billed as economic. It could also be argued that it is unlikely that Kyaukpyu or Hambantota will become dual-use, due to the political and legal restrictions in Myanmar and Indian pressure on Sri Lanka. Furthermore, the agreement between China and Sri Lanka contains a clause that strictly prohibits Chinese military use and states that the security of the port is entrusted to the Sri Lankan Navy. The port in Djibouti, right on the Horn of Africa, has been described by China as a logistics facility for anti-piracy and humanitarian missions, as well as disaster relief operations. Nonetheless, to protect growing Road assets and interests in the region, Djibouti and select other Chinese existing or future ports in the IOR could be billed as dual-use.

In the case of the strategically located Djibouti, this should not come as a surprise, as it also hosts the militaries of the USA, Japan, Germany, France and Italy. Saudi Arabia is building a base there; and Turkey is considering one amid rivalry between the Saudi Arabia-United Arab Emirates-Egypt bloc and the Turkey-Iran-Qatar bloc. On the one hand, Djibouti will enable China to better contribute to the provision of global public security goods, such as the protection of international sea lanes—although as mentioned above there are already plenty of security providers based in Djibouti. On the other hand, it brings Chinese military activities, surveillance capabilities and intelligence gathering to the region. Djibouti is walking a fine line between resourcefulness and neutrality.

As a rising power, China has reached the stage where it either accepts and assimilates into the international system, security arrangements and discourse under Western leadership, or uses its resources to seek or bring about changes that are more advantageous to itself and friendly states.<sup>135</sup> One non-confrontational way to go about the latter would be to enable Eurasian states to be more economically and financially autonomous, which would mean less dependent on the US economy for trade and investment, and more dependent on themselves and China. For China to pave the way for greater intra-Eurasian cooperation and interdependence, it will have to increase its economic and security footprint in the IOR, as it is doing with its Belt investments

<sup>135</sup> Niu, X., '中国外交需要战略转型' [China's diplomacy needs a strategic transformation], *Xiandai Guoji Guanxi* [Contemporary International Relations], 13 Jan. 2013.

in Eurasia. This would include the ability to project maritime power and to erode the need for the US Navy to protect Indian Ocean international sea lanes. It is anticipated that the Road will positively affect China's political relations with recipient states, pave the way for closer economic and security cooperation with China, expedite China's importance as a global maritime player and promote its discourse power. This integrates well with China's 2014 'New Asian Security Concept', through which China is interested in establishing a new Asian security order in which it plays a much larger agenda-setting role. It has proposed that Asian security be left to Asians because it sees the existing US military alliance-guided regional security framework as unstable and intends to fracture it.<sup>136</sup>

### **Geostrategic changes and blending security spaces**

In the IOR, China finds itself in a complex and multipolar security space that is substantially different from the mostly bipolar nature of the Pacific Ocean. In the IOR, China is entering a strategic space in which it has historically had only a limited role. This security space accommodates 10 regional security actors, all of which have standing naval forces: Australia, Egypt, India (a principal security provider), Indonesia, Iran, Israel, Malaysia, Pakistan, Singapore and Thailand. Meanwhile, Saudi Arabia, Turkey and the United Arab Emirates also foresee greater security roles in the IOR.<sup>137</sup> What is it that creates anxiety among stakeholders about China's security-related entry into the region?

Much like the SCS, the Indian Ocean has long been an arena for strategic rivalry. Extra-regional actors, most notably imperial Portugal, the Dutch empire, the British empire and, since the early 1970s, the USA have all sought to sustain the relatively enclosed geographic nature of the Indian Ocean. The Indian Ocean is largely buttressed on three sides and has 30 straits and channels either in or adjoining it. Of these, the globally most significant maritime choke points are the Suez Canal, the Gulf of Aden, the Strait of Hormuz, the Strait of Malacca, the Sunda Strait and the Lombok Strait. These form the few entry points into the ocean from other oceans and seas (see figure 2.2). The choke points are easy to navigate, monitor and protect. As a result, these powers were able to exert control over the ocean and most of the littoral states, and prevent the Eurasian continental powers from developing new overland pathways to the ocean.<sup>138</sup> It has been asserted that should any power capture or dominate the IOR, it would be able to militarily target most of the northern hemisphere's Eurasian landmass.<sup>139</sup>

China's vision of creating a Eurasian mega production and trade network across terrestrial Eurasia through the Belt and along the IOR rim through the Road would thus transform the nature of the Indian Ocean from a largely enclosed strategic space that can be controlled by a naval power. This prospect has increased anxieties among some countries about Road initiatives precipitating a growing Chinese military footprint in the region. In fact, the Road could assist China to become a resident power in the Indian Ocean, and thereby reduce the might of the naval powers.<sup>140</sup> However, it is not just this 'attrition' dynamic that is of concern to a number of regional and extra-

<sup>136</sup> Chinese Ministry of Foreign Affairs, 'New Asian security concept for progress in security cooperation', 21 May 2014; see also President Xi Jinping's keynote address at the Fifth CICA Summit, 'Xi proposes to build security governance model with Asian features', Xinhua News, 29 Apr. 2016.

<sup>137</sup> Mohan (note 130).

<sup>138</sup> Brewster, D., 'Silk Roads and strings of pearls: The strategic geography of China's new pathways in the Indian Ocean', *Geopolitics*, vol. 22, no. 2 (30 Aug. 2016), pp. 271–72.

<sup>139</sup> This is much in line with the thinking of US naval strategists Alfred Mahan, Robert Kaplan, Peter Dombrowski and Andrew Winner.

<sup>140</sup> Brewster (note 138).

regional stakeholders. In effect, China, through the BRI, could reshape the prevalent supply chain status quo in the region and challenge the security dynamic that has prevailed in the Indian Ocean since the early 1970s.

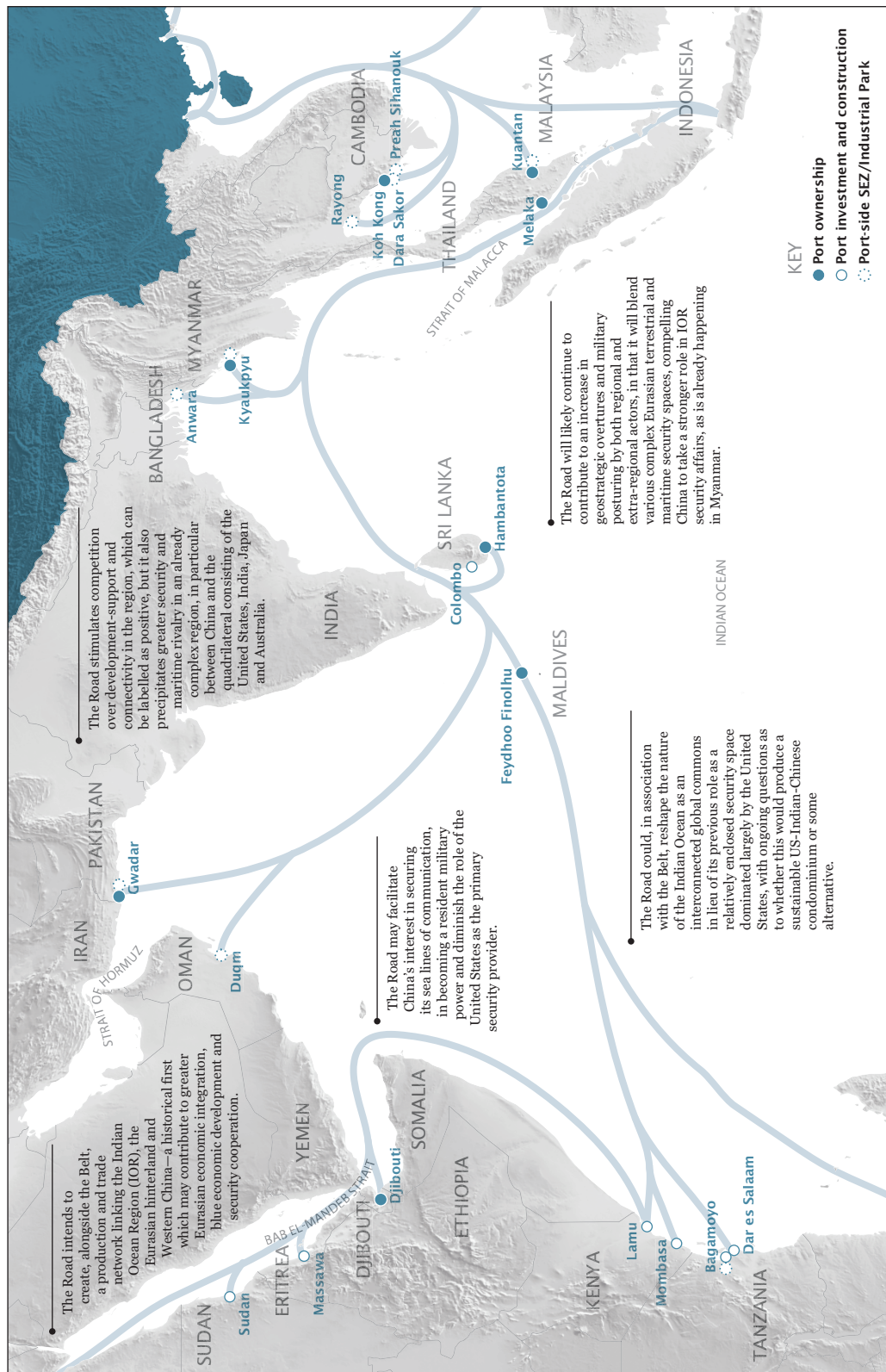
India in particular, an important principal security provider and first-responder to humanitarian crises in the IOR, is deeply concerned by this prospect and has begun to act. India has long aspired to be a major power, but has been held back by its economy and limited military projection capabilities. After two decades of solid economic growth, however, India's actions are gradually converging with its ambitions. In so doing, it is increasingly coming into contact with China. Situated at the centre of the Indian Ocean, India sees it as its historical waters and a zone of strategic interest. India is dependent on the Indian Ocean for 95 per cent of its trade by volume and 68 per cent of its trade by value.<sup>141</sup> China's entry and expanding economic, diplomatic, maritime and military footprint, facilitated by the Belt along India's terrestrial borders and the Road along its maritime borders, feels like encirclement. It facilitates Chinese familiarization with India's military, and the militaries of others for that matter, and is therefore ringing alarm bells. The conundrum is that, as in the SCS, there is a shortage of infrastructure investment to meet the needs of developing states across the IOR, and most states welcome Chinese investment—sometimes even as leverage against India.

If, like the SCS above, a spectrum representing the degree of regional interest in the Road is drawn up, India's neighbours, Pakistan, Bangladesh, Myanmar, Sri Lanka and the Maldives, are all at the end of the spectrum that has shown greatest interest in the BRI. This is in stark contrast to the South East Asian states, but similar to Central Asia in the case of the Belt. With the exception of Myanmar, which is closer to the centre of the spectrum, these states are not as concerned about possibly ceding economic sovereignty to China or the potentially detrimental long-term implications of the Road on national security. Road projects are in the process of being realized in all of these states, such as: (a) the expansion and lease of Gwadar port in Pakistan; (b) a majority stake in Hambantota port and the Colombo Port City project in Sri Lanka; (c) stakes in Payra port and construction in Anwar close to the port of Chittagong in Bangladesh; and (d) the lease of the Feydhoo Finolhu in the Maldives, which is sinking and in dire need of development and technical assistance. East Africa, where China is investing in eight ports from Sudan to Mozambique, is similarly enthusiastic. Iran has shown much interest, while Indonesia, as noted above, is in the middle of the spectrum and Australia is increasingly at the sceptical end, where India is firmly lodged.

In essence, India has five core strategic anxieties, some of which relate to Chinese approaches. First, since the 19th National Congress of the Communist Party of China amended the Party's Constitution to include the promotion of the BRI, India has been confronted by a swiftly growing China that is seeking to place this development on its doorstep and threaten its leverage and influence its region. Second, Indian analysts argue that the perceived opacity of the BRI is deliberate and that it negatively affects human security. Third, China's unilateral style of deal making in the BRI context. Fourth, China's political 'insensitivity' with regard to the territorial dispute between India and Pakistan, since CPEC runs through disputed territory. Finally, India is worried about the 'dependency trap'. India, alongside a number of stakeholders, believes that China is deliberately creating dependencies among the states along the Road to make them strategic dependents and to create economic enclaves.<sup>142</sup> The strategic Hambantota port in Sri Lanka, which Sri Lanka formally handed over to China on a 99-year lease following its inability to pay its debts to Chinese firms, is seen

<sup>141</sup> Government of India, Ministry of Shipping, Annual Report, 2015–16, p. 4.

<sup>142</sup> Indian Analysts, SIPRI–FES workshop, Yangon, Myanmar, 22–23 Feb. 2018.



**Figure 2.2.** Map of the Indian Ocean Region illustrating Maritime Silk Road security implications and investments

*Note:* the blue line represents the Road.

*Credit:* Map by Christian Dietrich.

*Sources:* Data compiled by the authors from various sources.



as a case in point, as are the levels of indebtedness in Pakistan and the Maldives.<sup>143</sup>

To counter this, after a long period of contemplation, India has decided that it will play a greater security role in the region and has reinvigorated Indian Ocean diplomacy. In the long-term, India aspires to a naval presence in the entire IOR by maintaining a blue water navy able to defend its interests in the region, and to become a net security provider in the region.<sup>144</sup> This is stated in its 2015 maritime security strategy, which is an updated version of a 2007 publication, 'Freedom to Use the Seas'.<sup>145</sup> Under this impetus, India is actively promoting the expansion of maritime agreements and institutions at both the bilateral and the multilateral levels, and collaborating with other key stakeholders in the region to secure its maritime interests. An informal security dialogue between India, Japan, the USA and Australia, the Quadrilateral Security Dialogue, or the 'Quad', was revived in 2017. This can be seen as a platform for addressing China's behaviour in the Indian Ocean and the Western Pacific Ocean. The USA is concerned about the relevance of its security role in the long-term, the security of key international sea lanes and the future of freedom of navigation in the region. As a result, the USA is seeking to reshape its alliance and command strategy with the aim of maintaining a balance of power in Eurasia. The recent renaming of the US Pacific Command as the US Indo-Pacific Command is a case in point.<sup>146</sup> Japan is worried about China's growing ability to influence its energy supply chains, as it imports 90 per cent of its energy through these key SLOCs. Finally, Australia, geographically and conceptually central to the Indo-Pacific concept, is concerned that China's project aid could make fragile states more vulnerable to coercion.<sup>147</sup>

Hence, the response has been increased Japanese and Australian naval engagement in the IOR. Western allies and partners, with the partial exception of the EU and ASEAN, are increasingly using the term 'Indo-Pacific'. This construct, which has gradually gained in popularity since 2007, has helped to overcome the conceptual exclusion of India from the maritime affairs of the broader Asia-Pacific. As such, it is an attempt to blend the two strategic spaces.<sup>148</sup> At the most recent Raisina Dialogue in early 2018, the Prime Minister of India, Narendra Modi, spoke of India's strategic interests extending across the Indo-Pacific. Beyond reiterating its support for freedom of navigation and the rule of law in resolving maritime disputes, the Indian security establishment is reluctant to allow the Indian navy to participate in joint patrols with the USA and other ASEAN navies in Asia's sensitive littoral states.<sup>149</sup> This may be linked to India's security doctrine, which does not believe in participation in military alliances of any kind, or foreign military bases for that matter, although the latter is starting to change. In a remarkable departure from Indian policy that long derided foreign military bases, India is now building a major military facility in the Seychelles and another one on Mauritian territory.<sup>150</sup>

In a further response to the BRI, India has revitalized its 'Look East' (1991) and 'Act East' (2014) policies, which prioritize achieving India's strategic interests in and connectivity with South East Asia and the Pacific. Some of this has been in cooperation

<sup>143</sup> Schultz (note 71).

<sup>144</sup> Indian Navy, *Freedom to Use the Seas: India's Maritime Military Strategy* (Integrated Headquarters Ministry of Defence: New Delhi, 2007).

<sup>145</sup> Indian Navy, *Ensuring Secure Seas: Indian Maritime Security Strategy* (Integrated Headquarters Ministry of Defence: New Delhi, 2015).

<sup>146</sup> Copp, T., 'INDOPACOM, it is: US Pacific Command gets renamed', *Defense News*, 30 May 2018.

<sup>147</sup> Barker Gale, J. and Shearer, A., 'The quadrilateral security dialogue and the Maritime Silk Road Initiative', ed. N. Szechenyi, *China's Maritime Silk Road: Strategic and Economic Implications for the Indo-Pacific Region* (CSIS: Washington, DC, 2018), p. 26.

<sup>148</sup> Kuo, M. A., 'The origin of "Indo-Pacific" as geopolitical construct', *The Diplomat*, 25 Jan. 2018.

<sup>149</sup> Singh, A., 'Indian Ocean 'leadership'? Delhi's boasts ignore reality', *The Interpreter*, Lowy Institute, 8 Sep. 2017.

<sup>150</sup> Osborne, S., 'India to build major military facility in Seychelles amid growing China influence', *The Independent*, 19 Feb. 2018.

with Japan, as the 'Asia-Africa Growth Corridor' constitutes an economic cooperation agreement between these two countries' governments and multiple African countries. India will certainly need better domestic and regional connectivity to match its economic aspirations. Its connectivity plans have generally been small in scale, fragmented in planning and reactive in nature. Furthermore, to limit Chinese influence, India has been attempting to advance ties with its neighbours in South Asia's littoral states and its extended neighbours to its west, such as Afghanistan and Iran, through its 'Neighbourhood First Policy'. One such example is the Chabahar port in Iran, which extends by road to Afghanistan. It may be extended to Central Asia and might even connect with Gwadar.<sup>151</sup> India's overtures also apply to Bangladesh and Myanmar. Delhi wants its remote north-eastern provinces to connect with the Indian Ocean through neighbouring Myanmar, but little has yet come to fruition. Most projects have been marred by delay, financial gaps and bureaucratic red tape.

By contrast, the BRI operates at a much faster pace and with a wider scope than India's overtures or those of Japan. Myanmar, via the Bay of Bengal and the Arabian Sea, and Pakistan, via Xinjiang autonomous region and Yunnan province, are the only nations other than India that can effectively serve as gateways for China to access the Indian Ocean without the need to traverse a third country. It is for precisely this reason that the \$60 billion CPEC has evolved into the BRI's flagship corridor, and a fitting model of how the Belt and the Road merge.<sup>152</sup> The Southern Corridor that runs through Myanmar is another example. This corridor consists of \$1.5 billion natural gas and oil pipelines, roads and river transit to China's Yunnan province, the construction of a \$7.3 billion deep-water port at Kyaukpyu, a coastal town along the Bay of Bengal in Myanmar's western-most state of Rakhine, and a \$2.7 billion SEZ nearby.<sup>153</sup> However, the long-term political risks, increasing resistance to the environmental implications of BRI projects and evidence of projects' effects on subnational violent conflicts have led the Myanmar Government to take a tougher stance with its largest investor and trade partner.<sup>154</sup> China's Belt and Road investments can at times adversely interact with local security dynamics and negatively affect human security, at least in the short term.

The expansion of its investments and corresponding interests compels China to take a greater role in the political and social stability of the states along the Road, in particular the gateway states of Pakistan, a close ally of the US and EU naval forces operating in the region, and Myanmar. This role requires experience, tact and patience to ensure that sustainable and inclusive solutions are pursued. For instance, in Pakistan, CPEC runs through territory that is disputed between Pakistan and India, automatically turning China into a major stakeholder in this dispute. In Myanmar, China's pipelines are alleged to have renewed conflict between armed ethnic groups and the military, which uses the BRI as a proxy to clear and retake territory.<sup>155</sup> China, in turn, states that such side-effects are not by design, but rather the consequence of economic transformation.<sup>156</sup>

Regardless, it is likely that geostrategic overtures and military posturing will continue and perhaps even increase in the IOR over the medium and even long-term. Spearheaded by China's BRI, the security spaces of the Indian maritime space will

<sup>151</sup> India sent its first consignment of wheat to Afghanistan in the autumn of 2017, thereby operationalizing the transit route.

<sup>152</sup> 'Total investment under CPEC rises to \$60b', Radio Pakistan, 29 Nov. 2017.

<sup>153</sup> Can, S. and Shan, J., 'Sino-Myanmar oil pipeline launch a good signal: experts', Global Times, 28 Mar. 2017.

<sup>154</sup> Analysts, SIPRI-FES workshop, Yangon, Myanmar, 22-23 Feb. 2018; and Helsingen, H. et al., *Greening China's Belt & Road Initiative in Myanmar: Rapid Assessment of Opportunities & Risks for Myanmar's Natural Capital from China's Belt & Road Initiative* (WWF Summary report: Myanmar, Jan. 2018).

<sup>155</sup> Analysts, SIPRI-FES workshop, Yangon, Myanmar, 22-23 Feb. 2018.

<sup>156</sup> Chinese analyst, SIPRI-FES workshop, Yangon, Myanmar, 22-23 Feb. 2018.

gradually merge with those of the Eurasian hinterland, the Indian Ocean littoral regions on both the East African and Pacific side, and the Middle East. This is certain to make the region's security dynamic even more entangled. These complex dynamics are still forming, however, a growing Chinese presence and involvement across multiple domains in the IOR can be anticipated. The Chinese leadership has repeatedly stated over the years that China is not seeking hegemony. Moreover, a recent RAND report states that China, in its pursuit of overseas security, 'is likely to pursue a distinctive approach that features a far more limited military role than has been the case for the United States or imperial powers of previous centuries'.<sup>157</sup> Nonetheless, the BRI will pull China into deep-rooted regional rivalries, whether India-Pakistan, Iran-Saudi Arabia or on a smaller scale and further afield Armenia-Azerbaijan. At some stage, these may require China to undertake a more prominent interventionist and military role.

The prospect of violent conflict between India and China, or the USA and its allies with China over the SLOCs and security projection, remains low. The multi stakeholder nature of international seaborne transit is a partial deterrent to this. Nonetheless, the Road contributes new stresses and strains, and adds to geopolitical rivalries and the risk of military miscalculation. The danger remains of a military incident in the IOR security space, due to closer proximity as major and mid-level powers jostle for influence and position. Whether the anticipated transition away from US unipolarity will be towards a sustainable US-Indian-Chinese condominium of some form or an alternative construct remains to be seen.

<sup>157</sup> Heath, T. R., *China's Pursuit of Overseas Security* (RAND Corporation: Santa Monica, CA, 2018).



### 3. The Maritime Silk Road: Prospects for European Union security cooperation

#### KEY FINDINGS

- While Road objectives serve China's core interests, some of these overlap with the European Maritime Security Strategy and the EU Global Strategy's objectives for sustainable blue growth and promoting maritime security. This may lay the groundwork for greater EU-China cooperation on maritime security.
- On balance, the Road in its current incarnation may present more security challenges than solutions for the EU. In the SCS, the Road may come to affect EU SLOCs security and freedom of navigation. In the IOR, tensions between China and the Quad are anticipated to increase.
- Security cooperation within the Road framework may be limited for now. This has to do with: (a) pre-existing maritime issues and tensions, and (b) the security implications of the Road, some of which are the product of Chinese approaches and the product of stakeholder receptiveness, rather than the stated objectives of the Road.

The EU should consider these recommendations in its engagement with states along the Road:

- Overall, there needs to be greater integration of development as a core tenet of security, inclusion and stability within the EU's regional engagement of South East Asian and IOR states. While this need not obviate the EU's pursuit of democratic and human rights ideals, a failure to take better account of local demands and need for growth will leave the EU marginalized.
- Greater EU attention to maritime security in the SCS and especially the IOR is firmly recommended as its relevance to economic and security interests cannot be overstated.
- In the SCS, China may through the Road gain the leverage to achieve its maritime claims over time, thereby possibly impacting the security of EU SLOCs. This is a red line and the EU is advised to engage with China, ASEAN and other stakeholders to stress its concerns.
- In the IOR, the EU should utilize the emerging interplay and merger of maritime and terrestrial security spaces to its economic, diplomatic and security advantage.

This final chapter assesses whether the Road is an opportunity for EU-China and EU-local stakeholder security cooperation and possible ways forward. Building on the key findings of chapters 1 and 2, this chapter examines how the EU's security interests, particularly in the maritime domain, intersect with the overarching Road objectives and its security implications in the SCS and the IOR, particularly in South Asia in the case of the latter (section 3.1). It concludes by making suggestions on possible EU policy responses to the Road (section 3.2).

#### 3.1. Compatibility with European Union maritime security interests

How compatible are China's Road objectives with EU security interests and how do the Road's security implications outlined in chapter 1 and 2 affect these? China's Road aspirations are not anomalous in the context of rising powers. Much like other powers, past and present, China intends to secure its foreign and economic interests, particularly its supply chains, by military and non-military means, including through the Road and the Belt.<sup>158</sup> In fact, the EU also seeks to pre-empt threats toward and to protect its vast maritime interests. In addition, while the findings demonstrate that the Road first and foremost intends to serve China's core interests, the Road is not

<sup>158</sup> See Kaplan, R., China's Two Ocean Strategy, Center for a New American Security, 'China's Arrival: A Strategic Framework for a Global Relationship' Sept. 2009, p.46; and 'China's Maritime Silk Road Strategic and Economic Implications for the Indo-Pacific Region' CSIS, Szechenyi, N., p. 26 (section by Cooper, Z.), 'Security Implications of China's Military Presence in the Indian Ocean'.

entirely acquisitive. Its objectives are also to stimulate global blue economy growth, stimulate local economies, expand regional markets, improve local and regional connectivity, expand international sea lanes, facilitate international cooperation on 'green' development of the blue economy and contribute to common maritime security. These objectives are fairly compatible with the 2014 European Maritime Security Strategy (EUMSS), the EU's 2016 Global Strategy and European Commission's policies on 'Blue Growth'.<sup>159</sup> The EU should not dismiss the Road altogether. Its scope is too large, its importance too great, its time frame too long and its impact on EU security interests too considerable.

However, on balance, the Road's current incarnation presents more security challenges than solutions for the EU in the medium to long-term. While there are numerous benefits for the South East Asian and IOR countries that have signed up for Chinese projects and financing, there are a number of cracks in the Road, presented in chapters 1 and 2, which the EU should be aware of and take into consideration.<sup>160</sup> Some of these are the product of Chinese activity, while some are a response to Chinese activity. On the one hand, these fissures merit attention in the interest of risk mitigation for EU investments and security along the corridors. On the other hand, they may provide the EU with an opportunity to become more actively involved and to promote its own economic, governance and stability aims, whether as part of the Road or through diversification of available partners for local economies. This involvement would go a long way towards meeting the EU's aims in Asia.

The EU Global Strategy states that the EU is seeking to serve as a credible political and security player in the region.<sup>161</sup> From strategy, it is evident that South East Asia, and in particular freedom of navigation and the SLOCs through the SCS, maintain a stronger hold on European consciousness than the Indian Ocean and its SLOCs. This is perhaps understandable because ASEAN and the ASEAN Regional Forum (ARF) are more akin to the EU framework, whereas South Asia lacks a cohesive grouping even under the South Asian Association for Regional Cooperation (SAARC). Moreover, there have been frequent tensions in the SCS in recent years. When observing EU engagement with these two regions, its placement of China at the head of the chapter on Asia in the Global Strategy, combined with greater granularity on the EU-China Connectivity Platform, the Asia-Europe Meeting (ASEM) and the ASEAN-EU frameworks, indicate where EU priorities lie. Nonetheless, the SCS and the IOR are interconnected maritime domains, and have a strong shared impact on Europe's intertwined economic and security interests.

Certainly, the EU needs to start paying closer attention to maritime security and connectivity developments in the IOR. Indeed, EU security interests do not always coincide with those of the United States, and the EU may benefit from the opening up of the IOR maritime space and the merging with the Eurasian terrestrial security space. This may prove valuable to the EU in that it may improve the connectivity of and stimulate development in Central Asia and South Asia. Central Asia's pathway to the Indian Ocean will mostly depend on stability in Iran, and Pakistan through China. If successful, however, the massive landlocked region of Central Asia will finally be able to connect more easily with the world's oceans and mitigate its dependence on Russian transit routes and the Russian economy. South Asian intra- and extra-regional connectivity, currently in a dismal state, may also improve and expand markets that

<sup>159</sup> European Commission, 'Blue Growth', n.d.

<sup>160</sup> For another study on the BRI for European actors, see van der Putten, F., Seaman, P., Huotari, M., Ekman, A. and Otero-Iglesias, M. (eds), *Europe and China's New Silk Roads* (European Think-tank Network on China: Clingendael, Dec. 2016).

<sup>161</sup> European Union External Action Service (EEAS), *Shared Vision, Common Action: A Stronger Europe, A Global Strategy for the European Union's Foreign and Security Policy* (EEAS: Brussels, June 2016).

the EU could tap. From an economic perspective, the Road could thus be a positive impetus for growth.

Following the official renaming by the US Department of Defense of US Pacific Command as US Indo-Pacific Command on 30 May 2018,<sup>162</sup> the ambiguity with which the EU has approached the concept of an Indo-Pacific will likely, of necessity, shift to a clearer stance. As it does so, even if only conceptually at this stage, it will be important for the EU to better articulate its position on how the BRI sits within this concept. This will require a country-by-country mapping and analysis of how projects are unfolding. Preliminary efforts to document these cases reveal that countries in South East Asia and South Asia are beset by a number of unintended and, some argue, intended consequences of the economic and geopolitical dimensions of the BRI. Among these, the Center for Global Development in the USA released a report in March identifying the countries at the greatest risk of debt distress. These were Cambodia, Laos, the Maldives, Pakistan and Sri Lanka. Thus, rather than undertaking an evaluation of the regions as a group, an EU approach based on evaluating each country's non-traditional and traditional security climate, as well as each sector's investment climate is merited.

This empirical, case-based approach is all the more crucial when contrasted with the enshrinement of the BRI in the CPC Constitution.<sup>163</sup> As one expert at the SIPRI-FES workshop series observed, the absorption of the BRI into the CPC's canon indicates that it has become an 'ideology' and not simply an 'initiative'.<sup>164</sup> As databases on specific projects begin to emerge, such as China's Belt and Road Portal,<sup>165</sup> an objective evaluation of both the projects and their national impacts will be essential to formulating a well-developed and implementable roadmap. For the EU, this should include detailed and implementable steps to better engage with these regional countries directly, rather than simply using China as the conduit for engagement. In doing so, the EU should open its own doors to enhanced trade and security relations. Overdependence on China for access will not only lead to economic vulnerability, but also restrict its longer-term strategic goals. The combination of the abolition of term limits for President Xi and China's export of the BRI under Xi make it all the more important for the EU to evaluate how the maritime Road and the terrestrial Belt fit into its governance aims in South East Asia, South Asia, and Africa.

Close to five years after its inception, the BRI is evolving through trial and error, but China's strategy is persistent. It has shown an ability to adapt and to adjust over time, using its early entry into Africa as a testbed. Mistakes have been made in for instance Zambia, where the behaviour of certain Chinese firms soon led to national political controversy and a change in government. In other cases, such as in Ethiopia, Chinese firms have increased the opportunities for local labour, improved wage levels and invested in local communities.<sup>166</sup> A similar learning curve will steadily evolve in South East Asia and South Asia. As China's reputation is on the line, as well as political, economic and social stability in the Road, and the Belt for that matter, participating countries are likely to become a first order priority for China. This will guarantee a greater Chinese role in development advice, and probably later in more active steering and stabilization of nations and even regions. While this is arguably welcome from an EU perspective, by the same token it may also cross-pollinate approaches to governance, including in the maritime domain, business and social stability with Chinese characteristics. These approaches may not always align with EU norms,

<sup>162</sup> Copp, T., 'INDOPACOM, it is: US Pacific Command gets renamed', *Military Times*, 31 May 2018.

<sup>163</sup> XinhuaNet, "'Belt and Road" incorporated into CPC Constitution', 24 Oct. 2017.

<sup>164</sup> SIPRI-FES workshop, Manila, the Philippines, 13-14 Nov. 2017.

<sup>165</sup> Government of the People's Republic of China, Office of the Lead Group on the Belt and Road Initiative, 'Belt and Road Portal'.

<sup>166</sup> Rudd, K., 'How Xi Jinping Views the World', *Foreign Affairs*, May 2018.

values and priorities, but they provide fertile ground for further consideration of how the EU might address these new trends.

### **The European Union and the states along the South China Sea**

The following review of South East Asian states along the Road is intended to provide an initial baseline of their current status. Recommendations on EU engagement are presented in section 3.2. When it comes to the SCS, the EU has a fairly robust level of engagement on maritime issues. In fact, ASEAN receives the clearest focus in the EU's 2016 Global Strategy, which commits the EU to 'supporting the region to manage security challenges, for example through helping to build an effective regional security architecture with ASEAN at the centre and through providing technical assistance'.<sup>167</sup> The EU is a stakeholder in Asia's security and any major security incident in Asia would have serious implications for the EU's economic and security interests. More recently, the ASEAN and the EU have been facing common security challenges: from the increased investment in maritime connectivity to boosting regional trade with Asian countries.<sup>168</sup> Therefore, the EU has been actively participating in the ARF on maritime security cooperation, which includes the improvement of maritime awareness, surveillance and information sharing, maintenance of peace and good order at sea, and the development of environmentally friendly ports.<sup>169</sup> From 2018 until 2020, the EU will co-chair the ARF's Inter-sessional Meeting on Maritime Security with Australia and Viet Nam, which will allow the EU to play a role as maritime security coordinator. Several ASEAN participants noted that they intend to pursue a process similar to the EUMSS as a medium to long-term goal.<sup>170</sup>

Such official activities reveal that while Asia-Pacific maritime security issues have not traditionally penetrated far into EU policies, the SCS is one of the few exceptions. This is understandable given the scale of EU member state trade traversing these waterways.<sup>171</sup> Furthermore, the ramping up of regional tensions following China's build-up of features in the SCS, stationing anti-ship cruise missiles and surface-to-air missile systems on three of its outposts, suggests that despite the EU's desire not to get involved, it may be increasingly pulled into regional maritime tensions.<sup>172</sup> This also applies to the drilling and landing of a strategic H-6K nuclear-capable bomber on Woody Island in the disputed Paracel archipelago, followed by US revocation of the Chinese Navy's invitation to participate in the 2018 multilateral Rim of the Pacific military exercises.<sup>173</sup> In addressing these challenges, there are means by which the EU and its member states can get involved in the facilitation of non-traditional security issues focused on development and sustainability, as much as the more traditional security issues, such as maintaining freedom of navigation in the SLOCs. France and the United Kingdom took the first step towards this more interventionist stance with their announcement of joint operations in the SCS at the Shangri-La Dialogue in June 2018.<sup>174</sup> Nonetheless, greater EU discussion of a common stance is needed.

<sup>167</sup> European Union External Action Service (note 161).

<sup>168</sup> European Commission, Joint Staff Working Document: Second report on the implementation of the EU Maritime Security Strategy Action Plan, Brussels, SWD (2017) 238 Final, 14 June 2017.

<sup>169</sup> Gatpolintan, L., 'ASEAN, EU to intensify maritime cooperation', Philippine News Agency, 7 Oct. 2017.

<sup>170</sup> European Commission (note 168).

<sup>171</sup> Germany, \$215 billion; the UK, \$124 billion; France, \$83.5 billion; and Italy, \$70.5 billion in 2016. Center for Strategic and International Studies, 'How much trade transits the South China Sea?', ChinaPower, n.d.

<sup>172</sup> Reuters, 'China installs cruise missiles on South China Sea outposts: CNBC', 3 May 2018; and Baynes, C., 'Chinese air force lands nuclear-capable bombers on island in disputed South China Sea', *The Independent*, 19 May 2018.

<sup>173</sup> TNI Staff, 'China's H-6K: The "old" bomber that could "sink" the US Navy', *The National Interest*, 21 May 2018; and Cooper, H., 'US disinvents China from military exercise amid rising tensions', *New York Times*, 23 May 2018.

<sup>174</sup> 'France, UK announce South China Sea freedom of navigation operations', *Naval Today*, 1 June 2018.



### Malaysia

Malaysia has become an example of the political risks and potential rewards of greater EU regional involvement in tenders and diversification. Prime Minister Mahathir Mohamad, on triumphing over Najib Razak in the May 2018 elections, made it a priority to cut the national debt and liabilities estimated at \$251.3 billion, or 80 per cent of Malaysia's GDP. Among the mega projects driving these costs, one that promises to be up for renegotiation is the East Coast Rail Link, which it is estimated will cost over \$18.6 billion.<sup>175</sup> Prime Minister Mohamad has already announced his intention to renegotiate the onerous debt and interest terms of the deal, which is being built by China Communications Construction Co. Ltd. and financed by a loan from the Export Import Bank of China. Given the scope and size of such projects, and the growing disaffection with inflated costs, lack of local buy-in and unsustainable loans, EU coalitions of companies could provide much needed alternatives, particularly if they engage with Japanese counterparts that are already active in infrastructure building in South East Asia, including efforts to bid on and provide equity to local companies for high-speed rail projects.<sup>176</sup>

### Indonesia

Nonetheless, there are still some obstacles that need to be addressed when it comes to the EU's engagement with other countries in the region. Among these, EU relations with Indonesia typify some of the hurdles that it faces in sectors from palm oil to textiles.<sup>177</sup> Given the vulnerability of these markets to even small shifts, the EU is in a position to bolster development and engagement through diversification of investment into other sectors, including infrastructure. Yet, there is unevenness to the EU approach to the region, as Indonesian textile exporters face import tariffs of between 5 and 20 per cent when shipping textiles to the EU, whereas Vietnamese counterparts enjoy zero rated import tariffs.<sup>178</sup> Meanwhile, the EU is continuing its policy of banning palm oil products. This has a strong impact on Indonesia and Malaysia, which are responsible for 85–90 per cent of global production.<sup>179</sup> As this plays out along the Road, it is ultimately the willingness of countries like China to invest in infrastructure, rather than often sclerotic consumer goods sectors and raw materials, that guarantees that officials will continue to praise China's Road for making Indonesia a 'global maritime axis', while criticizing the EU for its 'discriminatory policies'.<sup>180</sup> Successful implementation of such measures as the EU-Indonesia Comprehensive Economic Partnership Agreement and the EU-Indonesia Trade Cooperation Facility would go a long way towards enhancing bilateral trust. Failure to acknowledge the impact of these other cases, which are so prominent in the local media and psyche, highlights one of the reasons why the EU's regional endeavours lag behind those of China.<sup>181</sup>

### Laos

Still, there are some bright spots in terms of the EU's engagement of South East Asia—often in surprising places. In spite of the legacy of the French protectorate of Laos under

<sup>175</sup> Today Online, 'M'sia's East Coast Rail Link costs "much more" than S\$18.6 billion, says former finance minister', 18 May 2018.

<sup>176</sup> Government of Japan, 'Shinkansen in Malaysia and Singapore', n.d.

<sup>177</sup> Hutton, J., 'Forget US-China, The Malaysia-Indonesia-EU trade war may be upon us', *South China Morning Post*, 27 May 2018.

<sup>178</sup> Sutanto, A. P., 'Stakeholders in Indonesia's textile industry long for EU-Indonesia FTA', *Indonesia Investments*, 14 Mar. 2018.

<sup>179</sup> Zulfikar, R., 'Malaysia, Indonesia must cooperate against EU palm oil ban', *Straits Times*, 27 Apr. 2018.

<sup>180</sup> Sheany, 'EU resolution on palm oil is discriminatory: Foreign ministry', *Jakarta Globe*, 10 Apr. 2017.

<sup>181</sup> Knottnerus, R., 'The EU-Indonesia CEPA negotiations', Transnational Institute, 15 Feb. 2018; see also EU-Indonesia Trade Cooperation Facility.

French colonial rule, the EU has steadily built relations since the EU-Laos Cooperation Agreement of 1997. The two partners have had a robust relationship predicated on both aid and trade, with human rights often at the centre.<sup>182</sup> The EU is one of Laos' biggest development partners in terms of grant aid for development cooperation and humanitarian assistance, and also an important trading partner focused on nutrition, education and governance, decontamination, gender equality and climate change. This wide range of arenas for engagement offers the EU opportunities for further work with Laos as it becomes a major corridor not only for road transport, but also for a major rail project in which Chinese companies are investing. Laos and China have reportedly reached an agreement on the interest rate to be charged for a \$480 million loan to build a high-speed railway connecting Kunming to Vientiane, but there are already bumps along this rail line that require greater attention, particularly in terms of how it will affect sustainable development in Laos.

While the Deputy Prime Minister, Somsavat Lengsavad, has suggested that the interest rate for the railway loan is approximately 3 per cent, others have questioned the final rate and the sustainability of the project. This is in large part because Laos will back the deal with five of its potash mines, which represent one of the few areas of natural wealth available to this landlocked country.<sup>183</sup> That said, construction of an access point to maritime corridors could hold transformative promise for Laos. Given that the EU upgraded its mission to Laos in 2016, it will be crucial to engage with how these new forms of infrastructure are to be integrated with local communities and businesses in a sustainable way, particularly as it is anticipated that these channels will lead into Thailand and the sea in the future, giving Laos a stake in maritime security.<sup>184</sup> When it comes to preexisting mechanisms for stabilizing economic engagement, EuroCham Laos would be a conduit for greater engagement.<sup>185</sup> Raw materials such as timber and textiles continue to dominate trade, offering greater opportunities for EU investment in infrastructure-related activities and spin-off projects.<sup>186</sup>

### *Thailand*

As Laos promises to be linked to the sea via Thailand, Thailand also promises to play an increasing role in the Road. It is already the EU's third largest trading partner in ASEAN.<sup>187</sup> The 2014 military coup and subsequent political shifts, however, led the EU to re-evaluate how best to address the emergence of military rule. While still engaging, the reaction within Europe has begun to play out in economic spheres. In 2015, the EU placed Thailand on formal notice for not taking sufficient measures in the international fight against illegal fishing.<sup>188</sup> Even with renewed discussions on a Partnership and Cooperation Agreement between the EU and Thailand and the lifting of the warning to its fisheries, the EU's overall approach has again been somewhat uneven. As just one comparative example, the EU has not strongly responded to an estimated 114 cases of Chinese illegal fishing over eight years.<sup>189</sup> Promulgating an EU-China 'blue partnership' to cooperate on matters related to improving ocean

<sup>182</sup> Delegation of the European Union to Lao PDR, 'Lao PDR and the EU', 12 May 2016.

<sup>183</sup> 'Laos and China come to terms on loan interest rate for railway project', Radio Free Asia, 4 Jan. 2016.

<sup>184</sup> 'EU upgrades diplomatic mission in Laos', Vientiane Times via J&C Services, 29 Sep. 2016.

<sup>185</sup> EuroCham Laos, 'About us', n.d.

<sup>186</sup> 'Laos-EU Voluntary Partnership Agreement', EU Flegt Facility; and 'Laos-EU trade continue to surge', Vientiane Times via Asia News Network, 12 Jan. 2018.

<sup>187</sup> European Commission, 'Thailand', n.d.

<sup>188</sup> European Commission, 'EU acts on illegal fishing: Yellow card issued to Thailand while South Korea & Philippines are cleared', Press release, 21 Apr. 2015; 'EU-Thailand relations after the coup'; and *Euractiv*, 14 Mar. 2016.

<sup>189</sup> In the waters off Gambia, Guinea, Guinea-Bissau, Mauritania, Senegal and Sierra Leone; 'Bright prospects for Thailand in next EU report on fishing industry', *The Nation*, 10 Apr. 2018; 'EU to resume political contact "at all levels" with Thailand: Statement', Reuters, 11 Dec. 2017; and Jacobs, A., 'China's appetite pushes fisheries to the brink', *New York Times*, 30 Apr. 2017.

governance and the protection of the marine environment seems to paper over violations by Chinese companies and vessels. EU policies that similarly take account of these Chinese activities as much as those of Thailand or other regional parties would go a long way towards enhancing the balance of the EU's regional presence, while also growing trade ties and investment. To this end, the Thailand-EU Policy Dialogues Support Facility, a programme funded by the EU to further advance cooperation on achieving sustainable economic and social development goals and global integration, could provide the foundation for enhanced growth and stability.<sup>190</sup>

### *Cambodia*

When it comes to stability, Cambodia is a country that faces a tipping point with its elections in July 2018. In part, this is due to the internal political situation, in which the Government of 30-year incumbent Prime Minister Hun Sen has dissolved its main opposition, the Cambodia National Rescue Party. While expressing criticism and contemplating potential sanctions, the EU has reiterated that respect for 'human rights and fundamental freedoms' is part of its trade policy. Interestingly, perhaps as a reflection of growing Chinese-style 'realism', a 10 March Joint Committee meeting between Cambodia and the EU yielded bilateral agreement 'on the importance of an open and liberalised investment framework in Cambodia to encourage further investment from the EU, support integration into regional value chains and contribute to the country's economic diversification'.<sup>191</sup> The idea of development as a key to stability increasingly resonates through European dialogues. Crucial within this framework is Cambodia's tax-free entry into the European market under the 'Everything but Arms' scheme.<sup>192</sup> This indicates that while the EU recognizes the importance of monitoring under such mechanisms, it has also begun to take a more pragmatic approach to development aims, treating them as a fundamental security right in a way that hews a bit more closely to that of China.<sup>193</sup> How this will play out after the elections in Cambodia, however, remains to be seen.

### *Philippines*

The uneasy balance between EU pragmatism and stability, particularly in the SCS, is best encapsulated by the July 2016 ruling of the Permanent Court of Arbitration in The Hague in favour of the Philippines. It took the EU three days to publish a statement acknowledging the ruling, with Greece, Hungary and Croatia reportedly opposing the stronger language sought by the United Kingdom, France and Germany.<sup>194</sup> This came to be seen as an exemplar of how Chinese investment may affect EU member state cohesion and how this could increasingly shape EU preferences as its own interests in the SCS expand.<sup>195</sup> The Philippines, under President Rodrigo Duterte, has largely determined not to pursue the favourable ruling of the Permanent Court of Arbitration other than to strengthen its economic and political ties with China. As a result, Viet Nam is now one of the few countries in South East Asia that continues not only to assert its sovereignty, but also to apply both soft and hard power to influence Chinese investments and activities. This indicates that the SCS issue is much broader than

<sup>190</sup> Thailand-European Union, Policy Dialogues Support Facility.

<sup>191</sup> 'EU and Cambodia commit to stronger trade relations', *Tourism Cambodia*, 16 Mar. 2018; and 'Cambodia: EU to review EBA status says VP Mogherini on behalf of the Commission', *International Federation for Human Rights*, 7 May 2018.

<sup>192</sup> Kijewski, L., 'EU to review Cambodia's EBA status', *Phnom Penh Post*, 1 May 2018.

<sup>193</sup> 'EU, US reluctant to remove trade preferences for Cambodia garments: Fitch's BMI', *Reuters*, 24 Apr. 2018.

<sup>194</sup> Emmott, R., 'EU's statement on South China Sea reflects divisions', *Reuters*, 16 July 2017.

<sup>195</sup> Oerstroem Moeller, J., 'China's investments in Europe: Lessons for South East Asia', *Yusuf Ishak Institute*, 24 July 2017.

simply the Philippines and The Hague ruling, meriting wider EU engagement of regional actors.

#### *Viet Nam*

When it comes to the SCS, Viet Nam has been one of the most direct in its pushback against China's efforts to develop oil reserves in its Exclusive Economic Zone with the Haiyang Shiyou 981 oil rig, as well as recent drills by China's nuclear-capable bomber the H-6K.<sup>196</sup> In addition to its campaign to oust China's oil rig in 2014, the Viet Nam Ministry of Foreign Affairs in May 2018 condemned these take-off and landing drills in Hoang Sa, or the Paracel islands, as 'violating the Declaration on the Conduct of Parties in the East [Viet Nam] Sea, hampering the negotiation between ASEAN and China on a Code of Conduct in the East Sea, increasing tension and instability in the region, and is lacking conduciveness to the maintenance of peace, stability and cooperation in the East Sea'.<sup>197</sup> In spite of these actions and statements, Viet Nam still faces an uphill struggle, and one that is having an increasing impact on EU member states. In 2018, in response to pressure from China, Viet Nam halted an oil drilling project in the 'Red Emperor' Ca Rong Do field licensed to the Spanish energy firm, Repsol, marking the second time in a year that the latter had been driven from a project in the region due to maritime claims.<sup>198</sup>

Despite, or perhaps because of, these cases, Viet Nam merits greater EU attention as a small to medium-sized state that has the impetus and—in some cases, as in the 981 oil rig—the drive to address regional power asymmetries. If engaged in a broader way than by individual European companies or states, Viet Nam could become a lynchpin in the expanded EU engagement of ASEAN, as well as a partner in attempting to maintain a degree of regional stability. Such partnerships will be essential if China establishes enough of a military foothold to be able to enforce economic coercion, or even a potential Air Defense Identification Zone in the SCS. Moreover, Viet Nam serves as a touchstone for what is occurring not only in the SCS, but also in the Indian Ocean. India and Viet Nam launched their first joint naval exercises in the SCS on 21 May 2018, following earlier exercises at Jabalpur in Madhya Pradesh, India.<sup>199</sup> Taken in conjunction with the March 2018 Chinese naval exercises, when 40 ships and submarines flanked the Liaoning aircraft carrier, and the Chinese warning to the US guided-missile destroyer *Higgins* and guided-missile cruiser *Antietam* two months later for sailing too close to the Paracel Islands, it is clear that the chances of escalation are ever present.<sup>200</sup>

#### *Singapore*

In contrast to the ramping up of tensions with Viet Nam, Singapore is one of the countries that has been most supportive of not just the Road, but also broader Chinese economic influence in South East Asia, serving as a banking and logistical conduit along its routes. Deputy Prime Minister Teo Chee Hean has emphasized that a key requirement for the success of the Road is to keep critical sea lanes open and safe for shipping, such that passage through the Straits of Malacca and Singapore cannot be suspended or impeded, as these waters are crucial to connecting the Pacific and

<sup>196</sup> Green (note 111).

<sup>197</sup> Viet Nam Ministry of Foreign Affairs, 'Remarks by MOFA spokesperson on China's bomber aircraft exercising in Hoang Sa archipelago', 21 May 2018.

<sup>198</sup> Hayton, B., 'South China Sea: Vietnam "scraps new oil project"', BBC News, 23 Mar. 2018.

<sup>199</sup> India has also reportedly offered BrahMos supersonic cruise missiles as well as the Akash surface-to-air missile defence system to Viet Nam, all of which has elicited attention from Chinese analysts, see Xu, L., 'India-Vietnam naval exercises a futile attempt to flex muscle', *Global Times*, 27 May 2018.

<sup>200</sup> 'US Navy warships in "serious incident" with China after sailing into disputed waters', *The Sun*, 27 May 2018.

Indian Oceans.<sup>201</sup> Part and parcel to this argument would be China's establishment of military bases in the region. Given the need to keep the SLOCs open for trade, this may prevail over above-mentioned concerns about military fortifications and channel access. Nonetheless, the tensions described above with Viet Nam and the USA, as well as the other countries with territorial and resource claims, suggest that the economic rationale may not always take precedence over military concerns. The traditional security implications of the Road are unlikely to diminish and more likely to intensify, particularly as they interconnect with the Indian Ocean channels. This connectivity combined with the combustibility of naval tensions has the potential to derail EU transshipments and regional stability. Given that Singapore is not only the biggest supporter of the Road but also the EU's top trading partner in ASEAN, there is some merit in European powers engaging with Singapore on how best to stabilize this mechanism through a diversification of partners and ensuring freedom of navigation.<sup>202</sup> Beyond France and the UK's freedom of navigation patrols and security-level engagement, there still needs to be more creativity among all EU member states about how best to ensure that these sea lanes remain open and that maritime claims do not derail development.<sup>203</sup>

### **The European Union and the Indian Ocean Region**

The following review of South Asian states along the Road is intended to provide an initial baseline of their current status. Recommendations for EU engagement are presented in section 3.2. South Asia is a very different space from South East Asia in terms of cohesion and EU engagement. In part, this stems from regional challenges to unity and the effectiveness of multilateral bodies such as SAARC. While ASEAN faces its own issues in terms of consensus and cohesion, particularly relating to maritime claims, SAARC has a longer pedigree of dysfunction. Some of this stems from the largely intractable tensions between India and Pakistan. This dynamic is put in even starker relief by how China has engaged each on the BRI. Their divergent responses promise to shape their engagement with not only the BRI, but across the IOR.

#### *Pakistan*

Pakistan has long stood at the forefront of Chinese regional engagement and the connectivity of the Belt and the Road under the CPEC. Statements from Pakistani officials tend to be glowing assessments of the Chinese infusion of investment. Digging deeper, however, it is possible to find domestic misgivings about Pakistan's external debt, which now stands at \$91.8 billion, an increase of 50 per cent in five years.<sup>204</sup> The public debt-to-GDP ratio is 70 per cent, and approximately two-thirds of the earliest loans from China were extended at an interest rate of approximately 7 per cent.<sup>205</sup> Facing these pressures, even the strongly anti-Western opposition leader, Imran Khan, has reportedly admitted in private that he would approach the International Monetary Fund if elected.

On the other side of the coin, Pakistan has been the leading beneficiary of the

<sup>201</sup> 'Keeping Straits of Malacca and Singapore open to shipping key to success of Maritime Silk Road, says DPM Teo', *Straits Times*, 13 July 2017; and 'Singapore a "strong supporter" of China's Belt and Road initiative: Balakrishnan', *Channel NewsAsia*, 12 June 2017.

<sup>202</sup> European Commission, 'Countries and regions: Singapore'; Bhavan Jaipragas, 'Singapore hails China's Silk Road plans, but stresses freedom of navigation', *South China Morning Post*, 13 July 2017.

<sup>203</sup> Joshi, S. and Graham, E., 'Joint freedom of navigation patrols in the South China Sea', *Lowy Interpreter*, 21 Feb. 2018.

<sup>204</sup> *Pakistan Today*, 'Pakistan's external debt shoots up, touches record high of \$91.8 billion', Monitoring report, 17 May 2018.

<sup>205</sup> Bloomberg, 'View: China's proving to be an expensive date for Pakistan', *Economic Times*, 23 May 2018.

EU's preferential trading programme for vulnerable developing countries since 2014, known as the Generalized System of Preferences Plus (GSP+).<sup>206</sup> The scheme grants manufacturers, particularly Pakistani textile makers, tariff-free access to Europe in exchange for reforms linked to human rights, working conditions, climate change and good governance. When GSP+ comes up for renewal in January 2020, it will be for the EU member states to decide whether allowing Pakistan to fall further into indebtedness to and reliance on China is in the interests of not only its governance agendas, but also stability in the region. There have been high-level critics of this trade pact due to Pakistan's record of human rights abuses, such as the former President of the European Economic and Social Committee, Henri Malosse.<sup>207</sup> However, French President Emmanuel Macron's advocacy of GSP+ suggests that trade interaction is one of the best ways to maintain stability in a nuclear-armed country facing unrest.

### *India*

In stark contrast to Pakistan's full engagement with the Road, India continues to regard it with suspicion. This is not simply a function of its at times tense relations with China, but also a realization that a number of these economic deals come with a strategic price tag for both India and the countries involved. In this context, the EU is India's largest trading partner, accounting for 13.7 per cent of India's overall trade, ahead of both China and the USA.<sup>208</sup> The fact that EU–India trade extends beyond the textiles and raw materials found among other South Asian partners suggests a greater resilience of the economic and even security partnership between the two. Thus, while the EU does not fully subscribe to the concept of an Indo-Pacific or intend to join in the Quad, the revitalized EU–India partnership provides one of the more stable points of connectivity for the EU in the region and merits strengthening. One way in which this could be achieved at the strategic level would be for the EU and India to regularize their naval exercises in the Gulf of Aden between the EU's Naval Force Operation Atalanta and the Indian Navy.<sup>209</sup> At the economic level, a relaunch of negotiations on an EU–India broad-based trade and investment agreement, as advocated at the 14th EU–India Summit in October 2017, would provide a more direct line for stabilizing economic engagement and development.<sup>210</sup>

### *Sri Lanka*

Among the other South Asian countries that merit greater EU attention is the island nation of Sri Lanka. Its central maritime location, historical domestic fragility and history of unrest have left its economy extremely vulnerable to domestic and external shocks. Moreover, reports in May 2018 suggested that Sri Lanka is heading for a debt crisis, as payments of capital and interest reached \$2.84 billion on loans for extravagant projects initiated under former President Mahinda Rajapakse.<sup>211</sup> These reports have complicated EU engagement with the country, even though the two partners' Comprehensive Cooperation Agreement on Partnership and Development entered into force in 1995, and Sri Lanka also benefits from GSP+. Chinese analysts are also aware of and discuss the vulnerabilities and risks associated with Sri Lanka's

<sup>206</sup> European Union Cooperation in Pakistan, 'EU in Pakistan', n.d.; and Saeed, S., 'Brexit threatens Pakistan's trade perks with the EU', *Politico*, 2 Aug. 2018.

<sup>207</sup> Malosse, H., 'The preference of the European Union towards Pakistan', *Parliament Magazine*, 25 Jan. 2018.

<sup>208</sup> While India is the EU's ninth largest partner, major EU exports to India are more diversified than to other South Asian states and include engineering goods, gems and jewellery, as well as chemical and allied products. European Union External Action Service, 'EU–India relations: Fact sheet', 3 Oct. 2017.

<sup>209</sup> Council of the European Union, 'EU–India summit, New Delhi', 6 Oct. 2017; and European Parliament, 'India and challenges ahead in the Indo-Pacific region: Opportunities for cooperation with the EU', May 2017.

<sup>210</sup> Vincenti, D., 'EU, India dust off promise for a trade deal', *Euractiv*, 6 Oct. 2017.

<sup>211</sup> 'Sri Lanka warns of looming foreign debt crisis', *Business Standard*, 20 May 2018.

local climate, which include everything from corruption to money laundering.<sup>212</sup> Nonetheless, vulnerability has also led to opportunity for China.

China's 99-year lease on Hambantota Port indicates a recognition of the centrality of the island nation in ensuring access and refuelling points for its maritime strategy. This case should also not go unnoticed by EU actors seeking to stabilize the region and their own SLOCs. It should also be contextualized in the light of the growing list of ports that have been similarly leased to China on extended leases of 40–99 years (see table 1). The EU's provision of €760 million to Sri Lanka over the past decade is of vital importance.<sup>213</sup> The fact that a number of Road investments come with inflated budgets and carry onerous loans at often high interest rates makes it all the more important for countries like Sri Lanka to have an opportunity to diversify and integrate internationally, in order to better maintain a growth rate that will mitigate the chances of future unrest. As the Director General of Sri Lanka's Institute of National Security Studies has pointed out, Sri Lanka is geographically at the heart of the Indian Ocean and a 'super-connector' within its SLOCs.<sup>214</sup> Experts have actively called for the EU to play a greater role as a regional maritime security coordinator, particularly in the light of growing tensions among China, India and the USA. In listening to these voices from the region, there are a number of points of entry for the EU to consider. The Indian Ocean Rim Association for Regional Cooperation could facilitate economic cooperation, while the Galle Dialogue and the Indian Ocean Naval Symposium provide forums for naval chiefs.

Furthermore, the Indian Ocean Conference has been cited as one of the few conferences to address important Indian Ocean regional issues at the ministerial and academic levels, and would merit greater extra-regional representation. Given that fighting piracy, counterterrorism and providing safe passage for the large amount of trade between the EU and the Indian Ocean are high priorities among all actors, some South Asian experts have called on the EU to assist with establishing and maintaining a code of conduct. The EU, working with Indian Ocean littoral states, could play an instrumental role in establishing a track 2 platform comparable to the Council for Security Cooperation in the Asia Pacific, and could assist in mitigating some of the imbalances created by strategic groupings of external actors in the region, whether in bilateral, trilateral or quadrilateral formations.

### *Maldives*

Such positive EU engagement and diversification is even more crucial, given that other nations in the region are at a tipping point when it comes to stability. The Maldives typifies this position. China's state-owned companies have entered the Maldives to build a bridge linking the capital, Male, to a nearby island, expand the capital's airport and lease the island of Feydhoo Finolhu for a Chinese enterprise for 50 years at a price of around \$4 million. There will also be a free trade agreement.<sup>215</sup> Currently, Chinese loans for projects already account for about 70 per cent of the Maldives national debt, and there are concerns that there will be a repeat of the debt-for-equity swap or debt trap that confronted Sri Lanka. The opposition party claims that the Maldives is currently making \$92 million per year in repayments to China, or roughly 10 per cent of the entire state budget.<sup>216</sup> There are also wider concerns about how this might

<sup>212</sup> 'Money laundering: Lanka falls short in EU vote, casinos, gems, real estate identified', *Sunday Times*, 11 Feb. 2018.

<sup>213</sup> Delegation of the European Union to Sri Lanka and Maldives, 'Sri Lanka and the EU', 13 May 2016.

<sup>214</sup> Abeyagoonasekera, A., 'Maritime security in the Indian Ocean: A geopolitical perspective from Sri Lanka and the role of the EU in the Indian Ocean Region (IOR)', *Sea Guardian Ltd*, 19 Mar. 2018.

<sup>215</sup> Naish, A., 'Feydhoo Finolhu leased to Chinese company for US\$4m', *Maldives Independent*, 24 Dec. 2016.

<sup>216</sup> *Economic Times*, 'Maldives, fast becoming a pawn in the new Great Game', 22 Mar. 2018.

affect the country's internal political crisis, since the Maldivian President, Abdullah Yameen, ordered the arrest of the Chief Justice of the Supreme Court along with a former president and declared a state of emergency in February 2018, following the coup five years before that ousted the country's first democratically elected president, Mohammad Nasheed.<sup>217</sup>

In the background, China has been increasing its maritime presence. It established an embassy in Male in 2012, and within five years had deployed three warships which docked in the Maldives for joint training sessions. In February 2018, 11 warships sailed into the eastern Indian Ocean, reportedly to 'deter an Indian intervention in the Maldives'.<sup>218</sup> China's presence to ensure stability for its own investments and its partner nations cannot be separated from the Road. In the words of a former Maldivian Foreign Minister, Ahmed Naseem, 'What is happening in the Maldives is not just about democracy, it is about peace, security, and stability in the entire Indian Ocean [neighbourhood]'.<sup>219</sup> For the EU, which has long espoused the importance of democracy, human rights and development in pursuit of stability, such trends should not go unnoticed. The current turmoil hampers EU investment and makes sanctions more likely. However, in the longer term, consideration must be given to how best to assist fragile states in achieving the economic conditions and institution-building necessary to stabilize growth. One historical example that could be built on in the future is the 2012–13 EU assistance to the Maldives, which allowed the latter to maintain duty free status for its fishing exports.<sup>220</sup> While small in scale, such measures go a long way to keeping countries engaged and their financial sectors afloat.

### *Myanmar*

Like the Maldives, Myanmar is facing both domestic and international challenges to its nascent civilian-controlled government. Myanmar faces a host of centripetal forces that are guided by ethnic tensions and religious strife in its border regions and the larger Rohingya issue. The road connecting Myitkyina with Mandalay via Sagaing Region is in poor condition, making it difficult to transport goods to Kachin State, and the Myanmar side of the border lacks stability because of fighting between the Tatmadaw and the Kachin Independence Army.<sup>221</sup> Concerns persist among local ethnic groups that unscrupulous practices by local Chinese businesses and officials are exacerbating these trends.<sup>222</sup> Nonetheless, China and Myanmar are increasingly focused on the Kyaukphyu deep water port, the SEZ, the gas and oil pipelines that snake across the country to Yunnan, and plans for a railway. In December 2015, a consortium led by the China International Trust Investment Corporation won separate tenders to develop a deep-water port and an industrial area as part of plans to create an SEZ at Kyaukphyu. China took a 70 per cent stake in October 2017.<sup>223</sup>

Chinese investment in Myanmar is palpable, especially when contrasted with the level of EU investment. As the EU weighs the extent of its sanctions against Myanmar,<sup>224</sup> their impact on longer-term democratic impulses and economic growth

<sup>217</sup> Sharuhaan, M., 'Maldives latest: President orders state of emergency to investigate "coup"', *The Independent*, 6 Feb. 2018; Kumar, S. and Stanzel, A., 'The Maldives crisis and the China–India chess match', *The Diplomat*, 15 Mar. 2018; and Manning, R. and Gopaldaswamy, B., 'Is Abdulla Yameen handing over the Maldives to China?', *Foreign Policy*, 21 Mar. 2018.

<sup>218</sup> Miglani, S., 'Asian giants China and India flex muscles over tiny Maldives', Reuters, 7 Mar. 2018.

<sup>219</sup> Manning and Gopaldaswamy (note 217).

<sup>220</sup> 'Assisting Maldives in keeping their duty free status for its fishing products exported to the EU', GOPA Worldwide Consultants.

<sup>221</sup> Ayung Myint, S., 'China's New Silk Road plan: What's in it for Myanmar?', *Frontier Myanmar*, 4 June 2017.

<sup>222</sup> Interview with Myanmar expert, Yangon, Myanmar, Feb. 2018.

<sup>223</sup> Lee, Y. and Thu Aung, T., 'China to take 70 percent stake in strategic port in Myanmar, official', Reuters, 17 Oct. 2017.

<sup>224</sup> 'EU extends Myanmar arms embargo, prepares individual sanctions', Reuters, 26 Apr. 2018.



must be considered. Discussions with local experts in Myanmar reveal an anxiety that such pressure could push the country towards a coup and a resumption of military rule.<sup>225</sup> As a country wedged between China and India, Myanmar plays a central role as an economic and strategic node in the connectivity plans of both countries, and as a hub linking China's maritime Road to its terrestrial Belt. It plays just such a central role in determining how civilian government control and economic development will play out in this often-tumultuous country. NGOs such as the EU-Myanmar Centre provide a template for how cooperation can proceed, with its support for individual small and medium-sized enterprises (SMEs).<sup>226</sup> However, the likely imposition of sanctions and the risks associated with Myanmar's domestic situation suggest that China's BRI is one of the few, if not the only, pathways that Myanmar will be able to follow.

Rather than viewing the EU as a counterbalance to the Road, it has a chance to play a positive role in terms of diversifying the options for local economies and security structures. Rather than relying on China as the gatekeeper for access to these countries and regions, it is time for the EU to consider how it can better facilitate opening doors for its own companies and member states.

### 3.2. Ways forward for the European Union

In the lead-up to the July 2018 EU-China summit, 27 of the 28 national EU ambassadors to China compiled a report criticizing China's BRI as hampering free trade and putting Chinese companies at an advantage by 'running counter to the EU agenda for liberalizing trade and pushing the balance of power in favour of subsidized Chinese companies'.<sup>227</sup> While seemingly an economic critique, this report also had strategic dimensions. China is not wrong in proclaiming development to be a cornerstone of security. However, the mega projects that China proposes along the Road may facilitate economic growth, while creating dependencies that promise to shape such intractable issues as the SCS in China's favour. While part of securing China's SLOCs and access, the range of ports throughout South Asia that are already under extended lease to Chinese entities should give pause for thought regarding their broader military applications.

The approach of wedding economic initiatives and tools to geostrategic aims, which has been labelled as geo-economics, is hardly the sole preserve of China. Part of the reason why some have dubbed these activities neo-colonialist or mercantilist is that they smack of the tactics used by past empires. China's own popular series from over a decade ago, 大国崛起 (The rise of great powers), presaged this fascination with how countries emerge as global powers.<sup>228</sup> China's geopolitical and military aspirations are understandable, as explained in chapter 1, particularly given the growth of its markets and interests throughout the SCS and the IOR.

However, when these aims start to impinge on the sovereignty and sustainability of local stakeholders, and to conflict with core EU interests in maintaining flows of information, products and resources throughout these regions, there needs to be more than simply rhetoric in response. The Road, as with the Belt, advances through trial and error. As such, China may be receptive to revising if not those objectives that meet its core interests, then at least some existing approaches if a combination of the right incentives and disincentives can be applied. One such example is the first Silk Road NGO Cooperation Network Forum, which was held in November 2017 and attended

<sup>225</sup> Side discussions with several Myanmar experts in Yangon, Myanmar, Feb. 2018.

<sup>226</sup> EU-Myanmar Centre.

<sup>227</sup> Heide, D. Hopper, T. Scheuer, S. and Stratmann, K., 'EU ambassadors band together against Silk Road', *Handelsblatt Global* 17 Apr. 2018.

<sup>228</sup> 大国崛起 [The rise of great powers], CNTV, Nov. 2006.

by more than 200 NGO delegates from over 50 countries. Such a forum would have been inconceivable in the first three years of the BRI, which shows that with the right amount of practical disincentives and through dialogue, notable changes can be achieved.<sup>229</sup>

Thus, there is an opportunity for the EU to become pragmatically, albeit cautiously, engaged with China and states along the Road. There is a window of opportunity to ‘co-shape’ the Road in these early years before it can become more ‘rigid’. Some of this may have the most impact by cooperating directly with China, some of it by cooperating with states along the Road outside of the Road framework, or through ASEM. Neither need this be solely through security avenues, but could include economic avenues since the two are often wed in this context. The BRI ‘sales strategy’ has been and remains often overly positive and optimistic, and there are ample ‘open ears’ in China who recognize the need to listen more closely to stakeholders. This will require a shift, however, in how the EU engages with China, but also with the countries of the SCS and the IOR. A review of EU-led initiatives to facilitate member state promotion of SMEs revealed that much of the current structure is diffuse and inward looking.<sup>230</sup> Among these, Business Europe is an example of an advocate for growth and the competitiveness of enterprises in 34 countries, and yet its policy is focused on the European level.<sup>231</sup>

Similarly, the European Small Business Alliance is a non-party political group that represents small business entrepreneurs and the self-employed through targeted EU advocacy and such events as the European Business Summit.<sup>232</sup> Rather than global outreach, however, these are also concentrated on internal concerns. This is not surprising given the logistical and regulatory challenges of the disparate set of countries and companies spread throughout the EU. Yet, when it comes to advocacy and promotion abroad there is a dearth of options. Among the few outward looking initiatives, the ASEAN–EU Business Summit fills some of these gaps, but it is hardly a panacea for engagement—and in the South Asian context, there does not seem to be an EU equivalent.

This phenomenon is even more evident in a review of the European Commission’s work on businesses and development.<sup>233</sup> These are all laudatory and necessary initiatives but in terms of the access to markets in South East Asia, South Asia and East Africa, the European Commission’s tenet on improving ‘access to new markets and internationalization’ merits, but does not necessarily receive, the greatest attention. This link notes that ‘only 25 per cent of EU-based SMEs export at all and an even smaller portion export beyond the EU’.<sup>234</sup> Notably, the sparse links to business centres concentrate on just two countries, China and Thailand.<sup>235</sup> A more coordinated European Commission mechanism for establishing practical and implementable means of facilitating engagement by the EU’s sizable network of countries and companies is well overdue. Even the European Commission’s own web page notes: ‘An estimated 90 per cent of global growth will originate outside the EU in the coming years’. Yet, its current offerings do not seem to reflect this reality.<sup>236</sup>

<sup>229</sup> Gon Jie, ‘1st Silk Road NGO Cooperation Network forum kicks off’, China Daily, 21 Nov. 2017.

<sup>230</sup> European Commission, ‘Business, economy, euro’, n.d.

<sup>231</sup> Business Europe, ‘Missions and priorities’, updated 1 July 2016.

<sup>232</sup> European Small Business Alliance; and European Business Summit.

<sup>233</sup> These concentrate on (a) creating a business-friendly environment via the Small Business Act for Europe; (b) promoting entrepreneurship through the Entrepreneurship Action Plan; (c) facilitating access to finance through the Late Payment Directive; (d) supporting competitiveness and innovation; and (e) providing support networks and information. See European Commission, Entrepreneurship and Small and medium-sized enterprises.

<sup>234</sup> European Commission, ‘SMEs’ access to markets’.

<sup>235</sup> European Commission, ‘Support for SME internationalisation beyond the EU’.

<sup>236</sup> European Commission (note 235).

Thus, while there is an EU focus on regulatory measures and an evaluation of the negative impacts of foreign dumping of products on the European market,<sup>237</sup> it has relatively limited externally facing mechanisms to facilitate its own outward-facing trade and engagement, particularly along maritime routes in the SCS and the IOR. Even one of the most promising conduits, the EU Gateway Business Avenues, concentrates on a relatively small proportion of this region, choosing to focus more on Japan and South Korea.<sup>238</sup> While it wisely engages with countries such as Indonesia, Viet Nam and the Philippines through its linkages with Singapore, it falls into a similar pattern of making the EU reliant on a ‘gatekeeper’ when there are better options for direct engagement available. To avoid overdependence on Singapore, much less on China, to act as the intermediary and gatekeeper to the SCS and IOR, it is essential that the EU becomes a more engaged actor and platform for facilitating direct exchanges. One way to do this would be for the European Commission to streamline its disparate pages on international engagement into a functioning mechanism that initiates coordinated trade missions to countries in the SCS and the IOR. Among these, one existing mechanism that is buried in the links on official pages and could be better utilized is the Enterprise Europe Network.<sup>239</sup>

While much of this engagement seems to occur at the bilateral level, Germany, France and the UK are among the few countries with the weight needed to initiate such missions. To mitigate the asymmetries in bilateral engagement that limit the options of smaller EU member states, the European Commission could offer a platform and to open doors to coordinate bids and economies of scale to win tenders. This would emulate some of the Chinese approaches, in that it would mean a centralized and coordinated mechanism through which companies would be able to access new markets, without necessarily giving way to subsidies. In the region, the EU could facilitate coalitions for bidding on local projects that would also allow for the stabilizing effect of providing South East Asian and IOR partners with a wider range of options and increased negotiating power. A set of preexisting mechanisms could be applied in this arena.<sup>240</sup> Better utilization of such platforms would not make the EU a counter to China’s Road or Belt initiatives, but instead an enabler of growth and stability in these regions by encouraging local employment and training on projects, as well as structured financing that need not result in debt-for-equity swaps.

This approach need not take the shape of the more geopolitically focused Quad but could certainly follow the UN SDGs. There are a number of preexisting outlets for exchange that could be leveraged to further these aims. For example, the ASEAN-EU Business Summit, which has been held in Cambodia, Viet Nam, Malaysia and most recently Singapore, originally emerged just a year before the announcement of China’s BRI.<sup>241</sup> Interestingly, this broad-based focus on multilateral cooperation under a consensus-based grouping has seemingly been stalled in the realm of rhetoric, rather than action. To achieve the latter, the EU could serve as a convener, while recognizing—as China does in its own economic and security dealings—that more progress is likely to be made at the mini-lateral level. Within these efforts, the EU does not necessarily need to relinquish such goals as ‘EU Trade Policy and Democracy Building in South Asia’, but these initiatives must take account of the development needs of each country.<sup>242</sup>

Democracy in the absence of basic social goods is unlikely to endure. In the economic

<sup>237</sup> European Commission, ‘Business Services’.

<sup>238</sup> EU Gateway Business Avenues.

<sup>239</sup> European Commission, ‘Enterprise Europe Network’.

<sup>240</sup> European Commission, ‘Cluster internationalisation’.

<sup>241</sup> ASEAN-EU Business Summit, 2018, Singapore, 2 Mar. 2018.

<sup>242</sup> European Commission (note 240).

domain, as much as the security sphere, the EU's wider impact is more likely to come from facilitation of member state government and company forays into development projects along the BRI. To this end, it seems at times as if the EU is waiting for China to change its tactics or strategy, but in doing so the EU is ceding markets for which China will ultimately become the gatekeeper. By serving as an alternate gateway, instead of as a passive entrant, the EU has an opportunity to play a vital role in expanding its own member states' markets, while facilitating the sustainable growth goals that it espouses. Without development, there will be no sustainability, stability or ultimately security. In addition, without diversification, countries along the Road may find themselves in the long-term in an economically, politically and even militarily precarious situation.

In playing this role, it will be essential for EU bodies to start differentiating among and tailoring their approach to the various countries within the SCS and the IOR. This report, building on its predecessor, is an effort to establish just such a baseline. The EU's Global Strategy and EUMSS make few references to specific states along the Road, confining their coverage to such groupings as ASEAN. Much as member states play a key role in the diversity and strength of the EU, the same can be said of countries within these other regions. While some of this is already occurring on EU web pages that detail cooperation at the mission level, there is more that could be done to offer a better coordinated approach to both economic and security matters in the region. Within this approach, EU member states can offer vital advice to the European Commission on how best to engage across a spectrum of economic and security-related matters. As one example, while not part of the EU, Norway is a member in the European Economic Area and a founding member of the European Free Trade Association, and has historically played an integral role in mediating the tensions in Sri Lanka.

With its own background in conflict resolution and peace and development, the EU is also well-suited to offer investment that does not cripple local economies into dependence, but rather opens them up to a greater range of investors from abroad. This can occur through its facilitation of the establishment of SEZs or targeted investment in sustainable projects with local partners that also seek to employ and train domestic populations. Rather than simply serving as a series of ports at the end of the Road, the EU could help to diversify the Road beyond state-owned or subsidized companies to become a more multi-polar Road based on inclusion, diversity and sustainability. This can take the form of a more pragmatic and targeted approach, under which the EU provides a platform for individual member states and their companies to engage directly with local partners in bilateral and mini-lateral constructs to establish a needs-based series of investments. This would mitigate the current range of Chinese loans on mega projects, which are not necessarily aligned with local development and employment demands, much less viable loan structures.

These activities need not be exclusive of or run in competition with those of China. Collaboration with China could be undertaken in a number of sectors, such as Chinese experience with setting up SEZs. Moreover, given China's wealth of capital, and its workforce's experience on infrastructure projects, some of these initiatives could be run as joint ventures. Doing so would also mitigate complaints among EU member states about bids and tenders that are dominated by a few select Chinese companies, and sometimes not even made public at all. Within this process, while keeping much of the evaluation and negotiation at the mini-lateral level, the EU could provide overarching support as a guarantor of standards and best practices. At the same time, it could promote sustainability not simply in terms of the environment, but also in contributing to projects that coordinate with local needs, workers and conditions,

rather than imposing an overarching or burdensome model. The EU's relatively strong position as an economically and politically honest broker in these regions, and its extensive resources when taken as a whole, would enhance the position of member states and the capacity of their companies to engage.

Central to all of this is the notion that the EU can provide a forum through which South East Asian and South Asian markets are not exponentially adding to their debt risk and potentially contributing to a loss of sovereignty over their critical infrastructure. It may seem ironic that once colonial powers would undertake this position as bulwarks against such practices, but the proliferation of cases of mercantilism emanating from the Road must not be treated simply as the unavoidable growing pains of regional development. As one participant in the workshop in Myanmar stated: 'if the EU does not play this role, then who will?'.<sup>243</sup> This is not simply a matter of governance or human rights. Instead, it comes down to a fundamental question of regional inclusion and stability.

The EU must retain the flexibility to partner not just with China, but also with partners in countries such as India and Japan, the latter which already has extensive projects in terms of metro and railway systems in for example the Philippines. A joint venture approach that guarantees greater engagement of the local population and local training would mitigate many of the criticisms and deficiencies of current Road projects, providing more buy-in and long-term sustainability. In other words, sustainable development goals are not simply about environmental and democratic aims that focus on human rights—they must also be inclusive and contain the pragmatism that is slowly starting to appear in European engagement. A more balanced EU approach that provides a coordinated access point for member states and companies to engage with their counterparts in South East Asia and the IOR, while creating opportunities for local stakeholders to sustainably prosper, will not only serve the interests of regional stability and connectivity, but also enhance the long-term viability of the Road.

<sup>243</sup> SIPRI-FES workshop, Yangon, Myanmar, 22–23 Feb. 2018.

## Annex I. Abbreviations

AIIB	Asian Infrastructure Investment Bank
ARF	ASEAN Regional Forum
ASEAN	Association of South East Asian Nations
ASEM	Asia-Europe Meeting
Belt, the	Silk Road Economic Belt
BRI	Belt and Road Initiative
CPC	Communist Party of China
CPEC	China–Pakistan Economic Corridor
EEC	Eastern Economic Corridor
EEZ	Exclusive economic zone
EU	European Union
EUMSS	European Union Maritime Security Strategy
FDI	Foreign direct investment
GDP	Gross domestic product
GSP+	Generalized System of Preferences Plus
IOR	Indian Ocean Region
MPAC 2025	Master Plan on ASEAN Connectivity 2025
M&A	Mergers and acquisitions
NGO	Non-governmental organization
PACOM	Pacific Command
PLA	People’s Liberation Army
PLAN	People’s Liberation Army Navy
Road, the	21st Century Maritime Silk Road
SAARC	South Asian Association for Regional Cooperation
SCS	South China Sea
SEZ	Special economic zone
SLOC	Sea lines of communication
SME	Small and medium-sized enterprise
UNCLOS	United Nations Convention on the Law of the Sea



**STOCKHOLM INTERNATIONAL  
PEACE RESEARCH INSTITUTE**

Signalistgatan 9  
SE-169 72 Solna, Sweden  
Telephone: +46 8 655 97 00  
Email: [sipri@sipri.org](mailto:sipri@sipri.org)  
Internet: [www.sipri.org](http://www.sipri.org)